



ASSET MANAGEMENT STRATEGY

2018/19-2027/28



OVERVIEW

Asset management is the lifecycle management of physical assets that takes into consideration the “whole of life” approach which includes planning, procurement, construction, operation, maintenance and disposal of the Asset. A key, ongoing issue facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement.

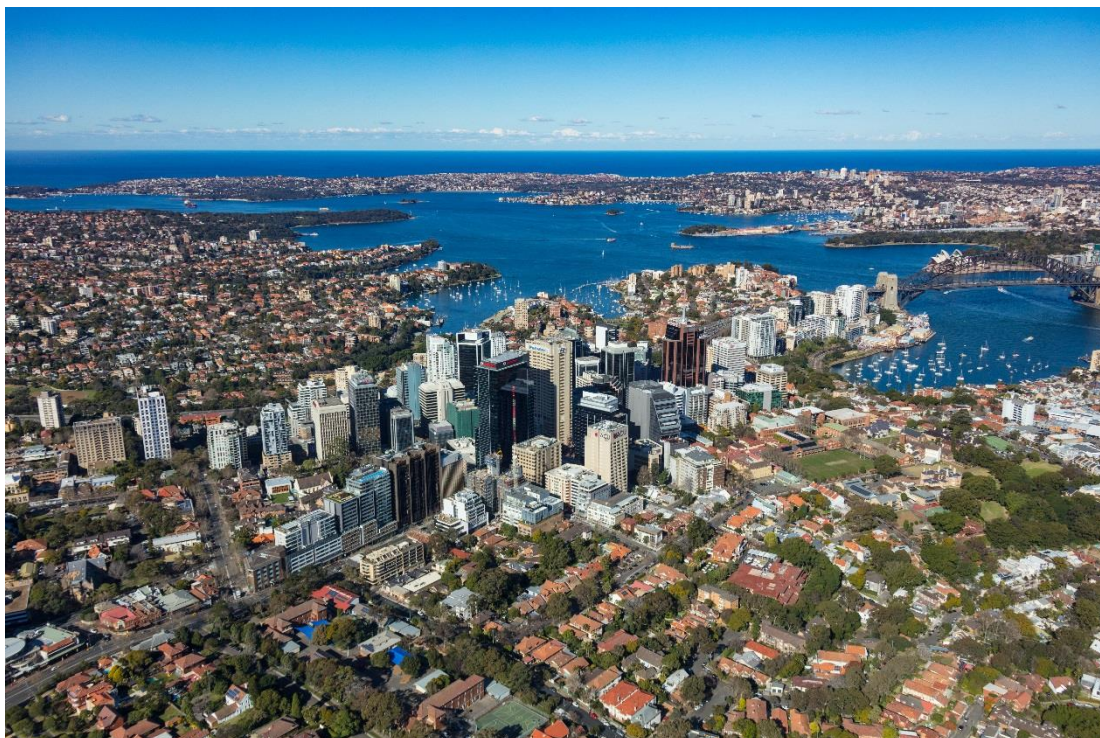
The North Sydney LGA covers 10.5km² or 1,049 hectares. It is both urban and green in character, comprising two Central Business Districts (CBDs), smaller suburban centres, residential areas, parks and open spaces. Overall North Sydney is an established area. Much of the farm land within North Sydney was subdivided from around 1880 onwards. Further development and subdivisions increased significantly with the opening of the Sydney Harbour Bridge in 1932 and continued after World War II. It was during this development that much of the infrastructure in North Sydney was originally built. Therefore, North Sydney faces the continual challenge of maintaining a large portfolio of ageing infrastructure.

North Sydney is very densely populated thanks largely to the medium and high density apartments and dwellings which are forming a growing part of the landscape. North Sydney had a population in 2011 of 66,747 residents which increased to 72,037 in 2016 and is projected to increase to grow to 84,422 by 2036.⁶

The current overall population density of North Sydney is 64.50 persons per hectare (PPH). The most densely populated suburbs are Kirribilli (87.36 PPH), Milsons Point-Lavender Bay (85.14 PPH) and Neutral Bay (81.25 PPH). Residents live in 36,846 dwellings with an average household size of 1.99 persons per household.

North Sydney is made up of 14 village centres (suburbs) which include Cammeray, Cremorne, Cremorne Point, Crows Nest, Kirribilli, Kurraba Point, Lavender Bay, McMahons Point, Milsons Point, North Sydney, Neutral Bay, Waverton, Wollstonecraft and St Leonards.

⁶ ABS Census 2016 data - available from <https://profile.id.com.au/north-sydney>



North Sydney aerial photo (July 2017)

This extensive portfolio of infrastructure assets requires careful planning and management. Financing the needs of the portfolio *can be* large, requiring planning for large peaks and troughs in expenditure for renewing and replacing assets. The demand for new and improved services adds to the planning and financing complexity. The creation of new assets also presents challenges in funding the ongoing operating and replacement costs necessary to provide the needed service over the assets' full life cycle.

Council's *Asset Management Strategy* shows how the asset portfolio will meet the service delivery needs of the community into the future; that asset management policies are being achieved; and that existing asset management practices integrate with the *Community Strategic Plan*. Improvement in asset management involves formalising the knowledge about asset performance, maintenance levels and community expectations in order to optimise both expenditure and service provision over a longer time scale. The goal of asset management is to ensure that services are provided in the most cost effective manner; through the creation, acquisition, maintenance, operation, rehabilitation and disposal of assets; and for present and future consumers.

In line with the community's vision for North Sydney, the objectives of the *Asset Management Strategy* are to:

- guide the planning, construction, maintenance and operation of the infrastructure essential for Council to provide services to the community;
- ensure that Council's infrastructure services are provided in a financially sustainable, economically optimal way, enabling the appropriate level of service to residents, ratepayers, visitors and the environment;
- meet legislative requirements for all Council's operations;
- ensure resources and operational capabilities are identified and responsibility for asset management is allocated; and
- provide high level oversight of financial and asset management responsibilities on development and implementation of the *Asset Management Plans* and *Long Term Financial Plan*.

Asset management planning commences with defining stakeholder and legal requirements and needs, incorporating these needs into the organisation's strategic planning, developing an *Asset Management Policy*, *Asset Management Strategy*, *Asset Management Plans* and annual *Operational Plan*, linked to a *Long Term Financial Plan* with a funding plan.⁷

ASSET MANAGEMENT STRATEGY AND FRAMEWORK

The key steps in preparing an effective *Asset Management Strategy* include:

1. Development of an asset management policy - that underpins the strategy. The policy provides guiding principles for asset management and planning.
2. Governance and management arrangements - applying good governance and management arrangements which link asset management to service delivery and include assigning roles and responsibilities.
3. Defining levels of service - establishing mechanisms, including community consultation, to define the levels of service councils are expected to provide from their asset base.
4. Data and systems - establishment of a framework for asset management data collection.
5. Skills and processes - the framework should contain a continuous improvement program.
6. Evaluation - the framework should contain a mechanism to measure its effectiveness.

Council's Asset Management Strategy has been prepared to assist Council in improving the way it delivers services from infrastructure including:

- Roads - Local Roads, Regional Roads, Kerb and Gutter, Traffic Facilities, Street furniture and Bus Shelters and Cycleways
- Footpaths - Footpaths in Roads, Parks and Walking tracks
- Property - Council Premises, Swimming Pools (Including North Sydney Olympic Pool, Community Facilities, North Sydney Oval, Public Amenities, Rental Properties (Commercial Properties))
- Stormwater Drainage - including Gross Pollutant Traps (GPTs)
- Sport and Recreation facilities - Playground, Park Furniture, Sports Field Lighting and Sporting Infrastructure
- Other Infrastructures - Public Lighting (Roads and Parks), Retaining Walls (Roads and Parks), Signs (Roads and Parks), Fences (Roads and Parks), Seawalls and Marine Structures
- Other Structures (Public Art and Monuments)

These infrastructure assets have a replacement value of approximately \$1.1 billion as at 30 June 2018⁸ (\$964 million as at 30 June 2017). The purpose of this strategy is to enable Council to show:

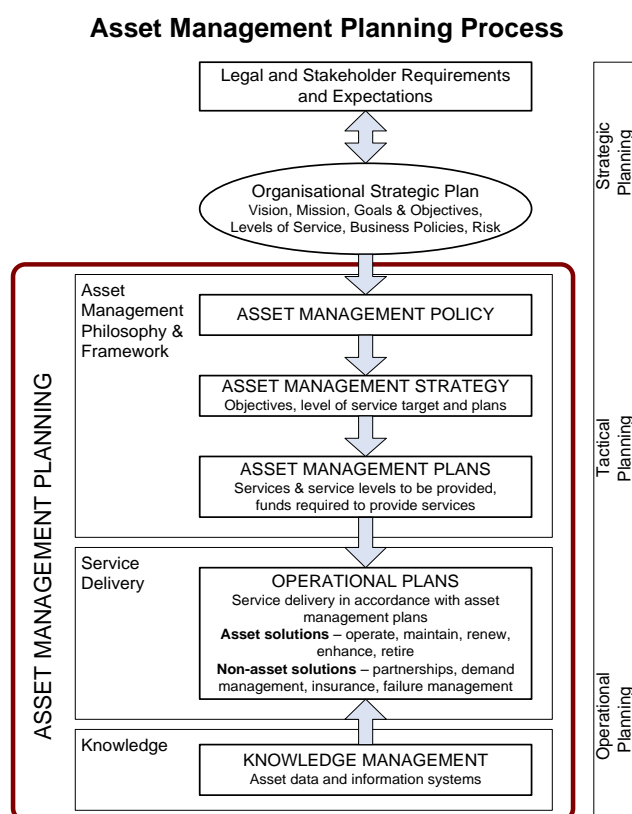
- how its asset portfolio will meet the service delivery needs of its community into the future;
- that its asset management policies are being achieved; and
- that existing asset management practices integrate with the Community Strategic Plan.

⁷ IPWEA, 2009, AIFMG, Quick Guide, Section 4, p 5.

⁸ Per Note 9a in the Audited Financial Statements, 30 June 2018.

This strategy has been prepared following a review of the Council's service delivery practices, financial sustainability indicators, asset management maturity and fit with the community's vision as outlined in the Community Strategic Plan. An Improvement Plan is outlined, detailing a program of tasks to be completed as well as the timeline that these tasks are expected to be completed. The Improvement Plan will be periodically reviewed and re-prioritised to match the available resources within Council's Delivery Program and Long Term Financial Plan.

The following diagram illustrates the key steps in asset management planning:



ASSET MANAGEMENT POLICY

The management of community assets is a key function of Council. The provision of assets maintained to meet community needs and expectations is fundamental to Council's overall service delivery. The purpose of the *Asset Management Policy* is to demonstrate Council's commitment to the responsible management of its assets.

Council's *Asset Management Policy* sets the framework for Council's *Asset Management Strategy* and *Asset Management Plans*, while the strategy and plans support and implement the policy. The policy:

- establishes goals and objectives for asset management;
- integrates asset management within council's corporate and strategic planning;
- maximises value for money through lifecycle costing and performance measurement;
- assigns accountability and responsibility for service delivery together with asset management; and
- promotes sustainability to protect the needs of future generational (i.e. the principles of intergenerational equity).

Refer to Appendix 1 for Council's *Asset Management Policy*.

ASSET MANAGEMENT PLANS

Asset Management Plans support the *Asset Management Strategy*. These are a long term (10-year) plans that outline the asset activities for each service (asset class). They detail the intended asset management program for each asset class, based on controlling the organisation's understanding of customer requirements (including desired levels of service and satisfaction with current service levels), existing projected networks and asset conditions and performance⁹. In total, Council has prepared *Asset Management Plans* for seven categories and 33 sub categories, as well as draft Risk Management Plans for the critical assets.

All of Council's asset management documents are under constant review and will be updated through the life of the *North Sydney Community Strategic Plan 2018-2028*. Council's condition analysis reports, financial valuations, projections, maintenance and operation costs in all of Council's *Asset Management Plans* are prepared using the best available data and will be improved as updated information becomes available. The ongoing implementation of a Corporate Asset Management System will assist in achieving that improvement.

Consistent with the requirements of the NSW Government's "Fit for the Future Review" (2016), the information and modelling contained within this strategy (and more broadly within Council's IPR documents) demonstrate that Council is managing its infrastructure assets effectively and efficiently.

Over the ten-year period of the *Community Strategic Plan*, the *Asset Management Strategy* and *Asset Management Plans* identifies the asset renewal and maintenance requirements for Council's ten-year Capital Works Program. This program addresses the identified infrastructure "backlog" whilst providing new and upgraded infrastructure and facilities to meet growing community demand in the future.

STRATEGIC AND CORPORATE GOALS

The relevant outcomes and strategies, outlined in the *Community Strategic Plan* and how these are addressed in both the strategy and plans are:

| DIRECTION | OUTCOME | HOW OUTCOME IS ADDRESSED |
|--|---|--|
| Direction 1: Our Living Environment | 1.4 Public open space and recreational facilities and services meet community needs | <ul style="list-style-type: none"> The <i>Asset Management Plans</i> provide guidelines for the effective short and long-term management of all infrastructure within parks and reserves owned by Council or under Council's control. |
| Direction 2: Our Built Infrastructure | 2.1 Infrastructure and assets meet community needs 2.2 Vibrant centres, public domain, villages and streetscape 2.3 Sustainable transport is encouraged | <ul style="list-style-type: none"> The <i>Asset Management Plans</i> provide guidance as to the assets required, and the long term sustainability of these services. Infrastructure is provided to support services. Getting the correct infrastructure appropriate to the needs of the community is a primary goal of asset management planning. A primary objective of the <i>Asset Management Plan</i> is to develop a lifecycle |

⁹ International Infrastructure Management Manual, p2.39

| DIRECTION | OUTCOME | HOW OUTCOME IS ADDRESSED |
|--------------------------------------|---|---|
| | 2.4 Improved traffic and parking management | approach to the provision of infrastructure. This aims to minimise the life cycle cost of assets while maximising the service that is delivered. |
| Direction 3: Our Future Planning | 3.2 North Sydney CBD is one of NSW's pre-eminent commercial centres 3.3 North Sydney is smart and innovative 3.4 North Sydney is distinctive with a sense of place and quality design | <ul style="list-style-type: none"> Economic sustainability and growth is linked to the services provided by infrastructure. The <i>Asset Management Plans</i> provide guidance as to the assets required, and the long term sustainability of these services. |
| Direction 4: Our Social Vitality | 4.1 Community is connected, inclusive, healthy and safe 4.3 North Sydney supports lifelong learning | <ul style="list-style-type: none"> The provision and maintenance of public infrastructure is an important component contributing to the cultural and social needs of the community. |
| Direction 5: Our Civic Leadership | 5.1 Council leads the strategic direction of North Sydney 5.2 Council is well governed and customer focused 5.3 Community is informed and consulted 5.4 Council's service delivery is well supported | <ul style="list-style-type: none"> Planning long term sustainable infrastructure is important to enable the appropriate resources to be identified, provided and enable Council to meet its statutory requirements. A risk based approach is used in the maintenance and replacement of assets. |

CURRENT ASSET ANALYSIS

Asset management planning is a comprehensive process to ensure that assets are managed and maintained in a way that enables affordable services from infrastructure to be provided in an economically optimal way. In turn, affordable service levels can only be determined by assessing Council's financial sustainability under scenarios with different proposed service levels.

EXISTING ASSETS AND SERVICES PROVIDED

Council uses infrastructure assets to provide services to the community. The range of infrastructure assets and the services provided from the assets is shown in the following table:

| EXISTING INFRASTRUCTURE ASSETS AND SERVICES PROVIDED | | |
|--|--|--|
| ASSET CLASS | DESCRIPTION | SERVICES PROVIDED |
| Open Space and Recreation Facilities | <ul style="list-style-type: none"> Structures and park furniture | Parks and recreation services supporting community and recreational needs |
| Depreciable land improvements | <ul style="list-style-type: none"> Landscaping | Parks and recreation services |
| Footpaths | <ul style="list-style-type: none"> 257km footpaths | Pedestrian access |
| Other Infrastructure | <ul style="list-style-type: none"> 34km fences 2,000 bollards 22 km retaining walls 1,600 public lighting 4.9km seawalls 24 marine structures including wharves | Safety, structural support, amenity. Foreshore and environmental protection, property protection, waterway access. |
| Roads | <ul style="list-style-type: none"> 10km regional road pavements 129km local road pavements 272km kerb and gutter 929 traffic facility items Street furniture 68 bus shelters | The road network provided by Council is used to support transportation and is important to the community and economic activities of the area. |
| Stormwater Drainage | <ul style="list-style-type: none"> 101km pipes 5,600 pits 26 stormwater quality improvement devices | Control local flooding and damage to infrastructure and property. Control water quality of discharge of stormwater into the natural environment. |
| Buildings | <ul style="list-style-type: none"> 7 Council premises 21 community facilities 7 parking stations 24 recreational amenity buildings | The land and buildings provided by North Sydney Council are used to support the administration, operational, social, recreational, cultural, heritage and economic infrastructure for the community. |
| Swimming Pools | <ul style="list-style-type: none"> Olympic Swimming Pool Complex | |
| Investment Properties | <ul style="list-style-type: none"> 12 investment properties | |
| Public Art | <ul style="list-style-type: none"> Various public art items | |

VALUE OF CURRENT ASSETS

The plan was initially prepared using 2016/17 data, as shown in the following table.

| ASSET CLASS | REPLACEMENT COST 2016/17 | ACCUMULATED DEPRECIATION 2016/17 | NET CARRYING AMOUNT 2016/17 |
|--------------------------------------|-----------------------------|-------------------------------------|--------------------------------|
| Open Space and Recreation Facilities | 11,235,628 | 7,978,154 | 3,257,474 |
| Depreciable land improvements | 20,864,144 | 3,083,738 | 17,780,406 |
| Footpaths | 84,097,886 | 32,821,655 | 51,276,231 |
| Other Infrastructure | 43,276,849 | 12,547,629 | 30,729,220 |
| Roads | 316,513,138 | 110,180,667 | 206,332,471 |
| Stormwater Drainage | 193,877,385 | 66,778,524 | 127,098,861 |
| Buildings | 170,194,635 | 85,461,244 | 84,733,392 |
| Swimming Pools | 25,093,070 | 14,705,383 | 10,387,687 |
| Investment Properties | 97,623,000 | 0 | 97,623,000 |
| Public Art | 1,208,881 | 16,764 | 1,192,117 |
| TOTAL | 963,984,616 | 333,573,758 | 630,410,858 |

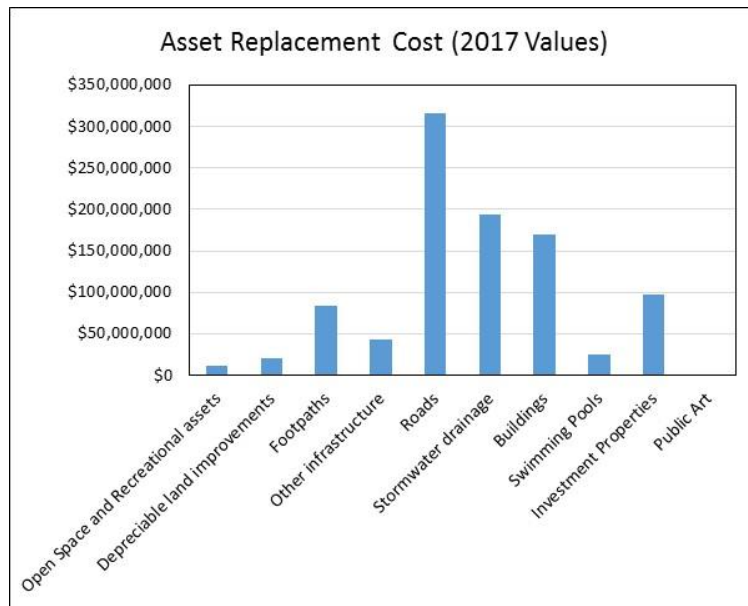
Source: Note 9 Financial Statements for year ended 30 June 2017

The current financial status of Council's assets, per asset class, is shown in following table, based on the financial year ended 30 June 2018. It is important to note that there were material changes to the 2017 values as a number of condition audits and revaluations were undertaken in accordance with accounting requirements.

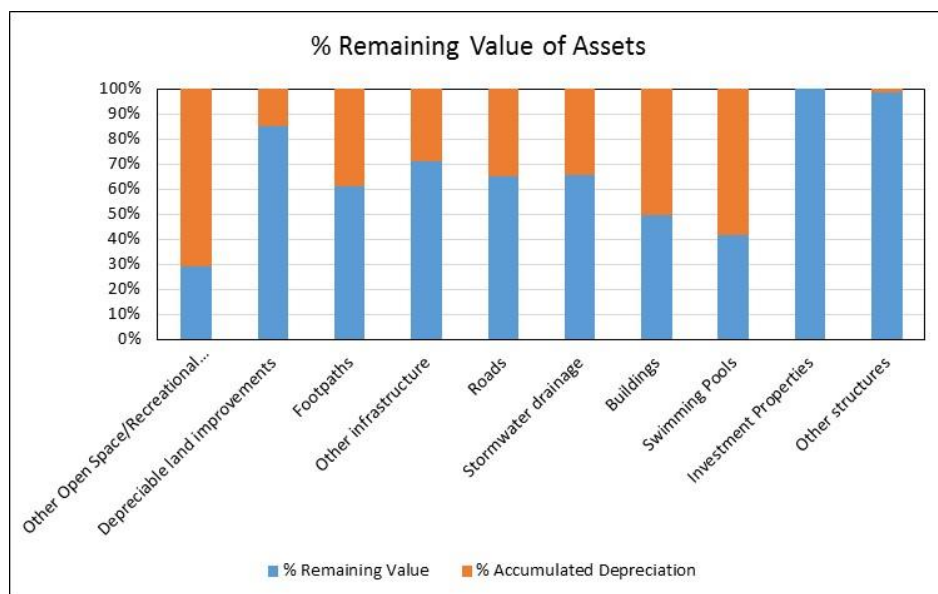
| ASSET CLASS | REPLACEMENT COST 2017/18 | ACCUMULATED DEPRECIATION 2017/18 | NET CARRYING AMOUNT 2017/18 |
|--------------------------------------|-----------------------------|-------------------------------------|--------------------------------|
| Open Space and Recreation Facilities | 12,308,602 | 8,525,563 | 3,783,039 |
| Depreciable land improvements | 22,102,776 | 3,595,901 | 18,506,875 |
| Footpaths | 91,425,235 | 33,395,568 | 58,029,667 |
| Other Infrastructure | 222,388,027 | 101,396,027 | 120,992,000 |
| Roads | 323,244,341 | 111,221,234 | 212,023,107 |
| Stormwater Drainage | 196,432,897 | 68,443,374 | 127,989,523 |
| Buildings | 204,841,324 | 76,698,137 | 128,143,187 |
| Swimming Pools | 22,472,003 | 9,608,286 | 12,863,717 |
| Investment Properties | 97,740,000 | 0 | 97,740,000 |
| Public Art | 2,217,098 | 42,712 | 2,174,386 |
| TOTAL | 1,195,172,303 | 412,926,802 | 782,245,501 |

Source: Note 9 Financial Statements for year ended 30 June 2018; Note 14 Investment Properties

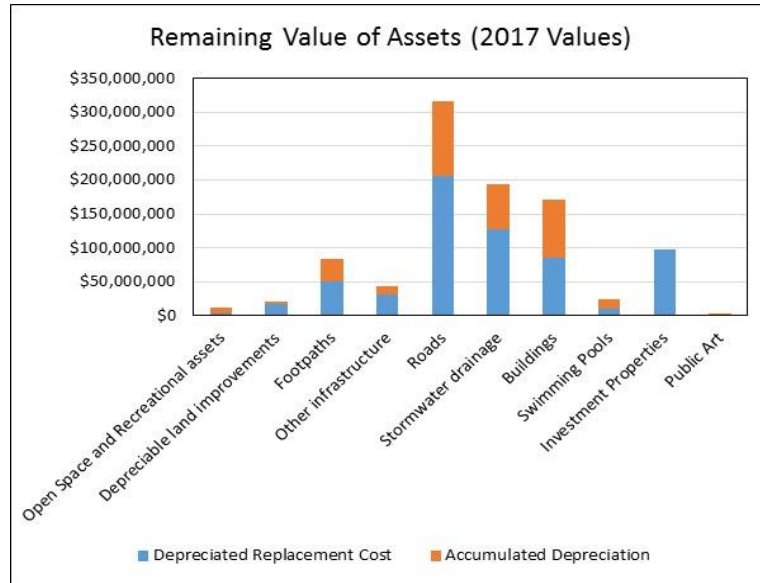
The 2016/17 replacement costs as detailed above are also represented in the graphs below. Council's largest asset classes in terms of replacement costs are Road Pavement, Stormwater Drainage and Buildings.



Consumption ratios are indicative of how much value remains in the asset. The graph below shows the remaining value of Council's assets (as at 2017) compare to its replacement cost in percentage terms. The graph indicates that all asset groups have greater than 60% of remaining value. It should be noted that accumulated depreciation does not necessarily indicate the extent of asset renewal required in the short to medium term. Some assets may be in fair condition resulting in higher depreciation but may not require renewal within the next 10 years.



The above graph shows asset consumption as a percentage, whilst the figure below shows it as the dollar value and brings the relativity of each asset group into the representation (as at 2017). These graphs should be read in conjunction with the renewal forecasts coming from the *Asset Management Plans* for the next 10 years to achieve an appreciation of renewal requirements.



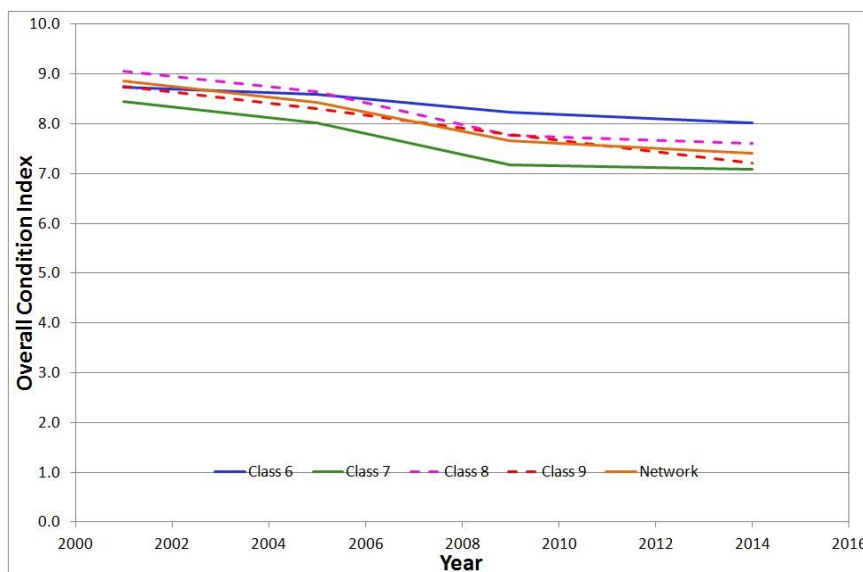
CONDITION OF CURRENT ASSETS

The useful lives of infrastructure assets can depend on many factors. Often this factor is condition, however, other factors that affect useful lives may include function, amenity, compliance, capacity, and obsolescence. Condition is also a critical factor influencing risk. The results of recent condition surveys are as follows:

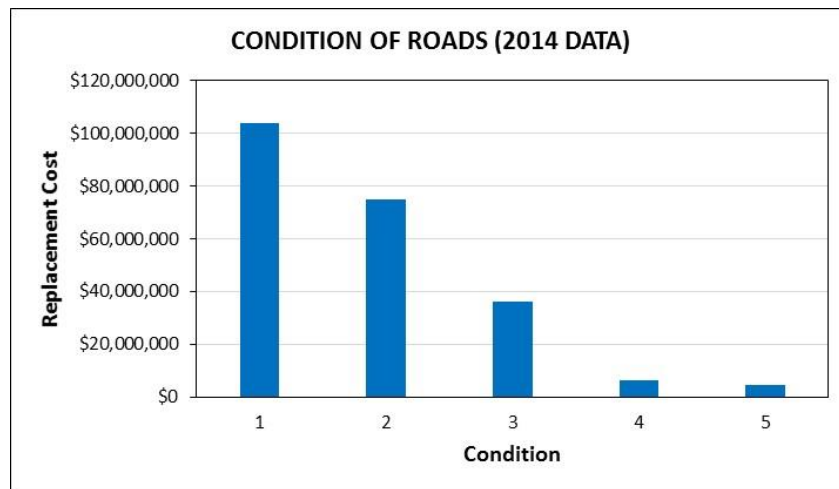
CONDITION OF ROAD PAVEMENT ASSETS

The condition of Council’s road pavement network has been measured every four years by consultants using specialised equipment since 2001. The Overall Condition Index (OCI) is a composite index representing the condition of the underlying road pavement structure. The index ranges from 10 (brand new) to 0 (end of life). A comparison of the current condition data against that of the previous surveys is presented below and shows how the network has performed over time (data supplied by Pavement Management Services P/L).

The following graph shows OCI for All Road Classes, and that the overall road network is deteriorating with time although the rate of deterioration slowed from 2009 to 2014.



The graph below shows the condition of Road Pavement assets in terms of replacement cost where condition 1 is very good and 5 is very poor condition based on the 2014 condition data. A detailed condition of the road network is scheduled in 2019.

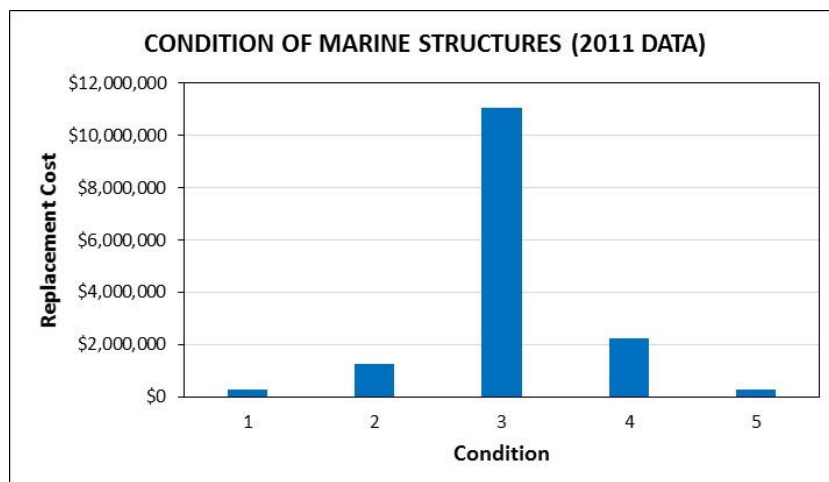


The actual Replacement Costs for each condition are shown in the table below:

| CONDITION OF ROAD PAVEMENT | | | | |
|----------------------------|----------------------------|------|----------------------------|------|
| CONDITION | REPLACEMENT COST 2017 (\$) | % | REPLACEMENT COST 2018 (\$) | % |
| 1 | 103,746,081 | 46% | 102,560,892 | 45% |
| 2 | 75,123,757 | 33% | 80,189,562 | 35% |
| 3 | 36,035,890 | 16% | 35,682,032 | 15% |
| 4 | 6,514,743 | 3% | 6,257,133 | 3% |
| 5 | 4,429,329 | 2% | 4,682,343 | 2% |
| Total | 225,849,899 | 100% | 229,371,962 | 100% |

CONDITION OF MARINE STRUCTURES AND SEAWALL ASSETS

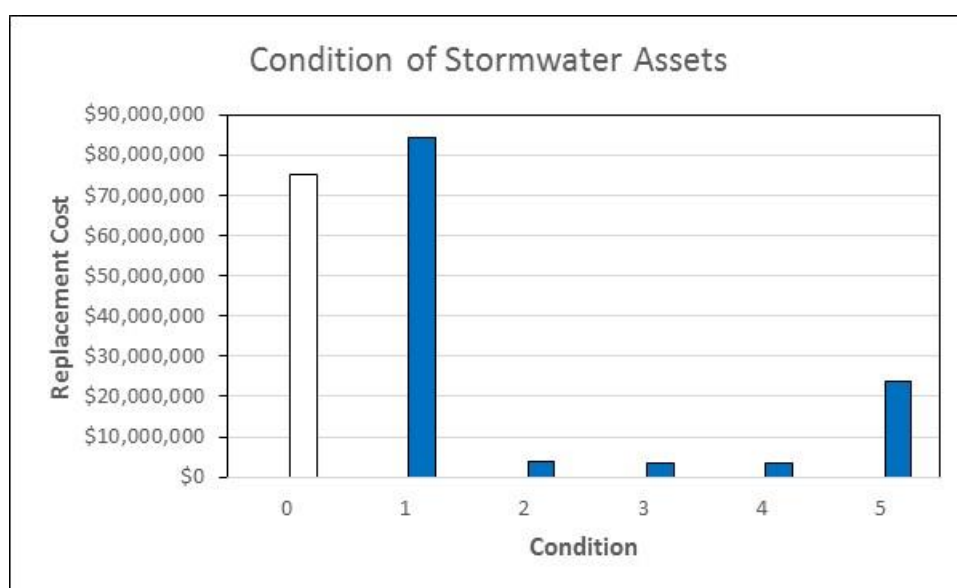
The condition of Sea Walls was assessed in 2017 by Manly Hydraulics Laboratory for every 10m section of wall. A condition of Marine Structures was last carried out in 2011. The condition of Marine Structures is being reassessed in 2018. The tables below show the condition of both Marine Structures and Seawall assets in terms of replacement cost where condition 1 is very good and 5 is very poor condition.



| CONDITION OF MARINE STRUCTURE AND SEAWALLS | | | | | | | | |
|--|--|---|-------------------------------------|-------------|--|---|-------------------------------------|-------------|
| CONDITION | REPLACEMENT COST SEAWALLS 2016/17 (\$) | REPLACEMENT COST MARINE STRUCTURES 2016/17 (\$) | REPLACEMENT COST TOTAL 2016/17 (\$) | % 2016/17 | REPLACEMENT COST SEAWALLS 2017/18 (\$) | REPLACEMENT COST MARINE STRUCTURES 2017/18 (\$) | REPLACEMENT COST TOTAL 2017/18 (\$) | % 2017/18 |
| 1 | 741,690 | 275,380 | 1,018,070 | 1% | 741,690 | 3,030,137 | 3,771,827 | 3% |
| 2 | 33,583,297 | 1,240,903 | 34,824,200 | 33% | 33,583,297 | 14,517,315 | 48,100,612 | 41% |
| 3 | 44,057,119 | 11,063,231 | 55,120,350 | 53% | 44,057,119 | 6,447,601 | 50,504,720 | 44% |
| 4 | 10,709,725 | 2,241,437 | 12,951,162 | 12% | 10,709,725 | 1,674,449 | 12,384,174 | 11% |
| 5 | 629,251 | 297,683 | 926,934 | 1% | 629,251 | 693,684 | 1,322,935 | 1% |
| Total | 89,721,083 | 15,119,634 | 104,840,717 | 100% | 89,721,083 | 26,363,186 | 116,084,269 | 100% |

CONDITION OF STORMWATER DRAINAGE ASSETS

The condition of Council's stormwater drainage network is monitored by using detailed CCTV condition assessment. CCTV condition surveys are expensive due to the equipment and specialised contractors required. Detailed proactive CCTV condition surveys are carried out on approximately 5% to 10% of Council's pipe network each year. Reactive CCTV inspections are also carried out as required. The condition of all stormwater drainage assets are shown in the figure below.



The actual Replacement Costs for each condition are shown in the table below.

| CONDITION OF STORMWATER ASSETS BASED ON 2015 VALUATION ADJUSTED | | | | |
|--|-------------------------------|-------------|-------------------------------|-------------|
| CONDITION | REPLACEMENT COST 2017/18 (\$) | % 2016/17 | REPLACEMENT COST 2017/18 (\$) | % 2017/18 |
| 0 | 75,205,145 | 39% | * | * |
| 1 | 84,165,291 | 43% | 84,273,402 | 43% |
| 2 | 3,671,515 | 2% | 4,328,720 | 2% |
| 3 | 3,451,994 | 2% | 79,153,595 | 40% |
| 4 | 3,332,048 | 2% | 3,770,184 | 2% |
| 5 | 23,927,257 | 12% | 25,022,599 | 13% |
| TOTAL | 193,753,251 | 100% | 196,548,500 | 100% |

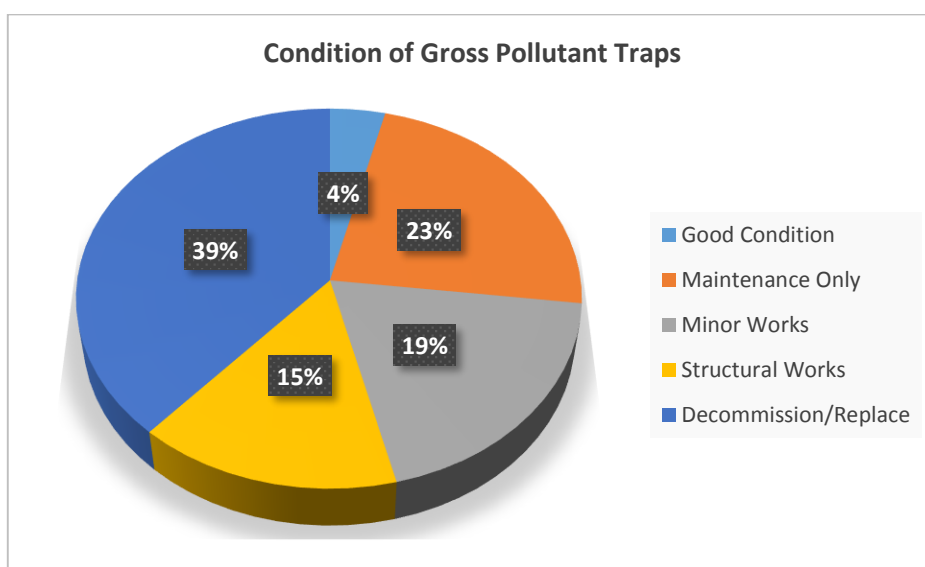
* Condition 0 added to Condition 3 as per Special Schedule 7, 2017/18

13% of Council's stormwater assets are in very poor condition, however the condition of 39%

of all assets is still unknown (based on 2015 valuation adjusted to 30 June 2018). Using only actual surveyed data, 20% of Council’s stormwater assets are in very poor condition.

The condition of Gross Pollutant Traps (GPTs) was assessed by Optimal Stormwater P/L. Out of the 26 traps it has been recommended that 10 traps or 39% of existing GPTs be replaced. The table below and graph summarises the consultant’s recommendations.

| CONDITION OF GROSS POLLUTANT TRAPS | | |
|------------------------------------|-----------|-------------|
| CONDITION | NO. | % |
| Good Condition | 1 | 3.8% |
| Maintenance Only | 6 | 23.1% |
| Minor Works | 5 | 19.2% |
| Structural Works | 4 | 15.4% |
| Decommission/Replace | 10 | 38.5% |
| Total | 26 | 100% |

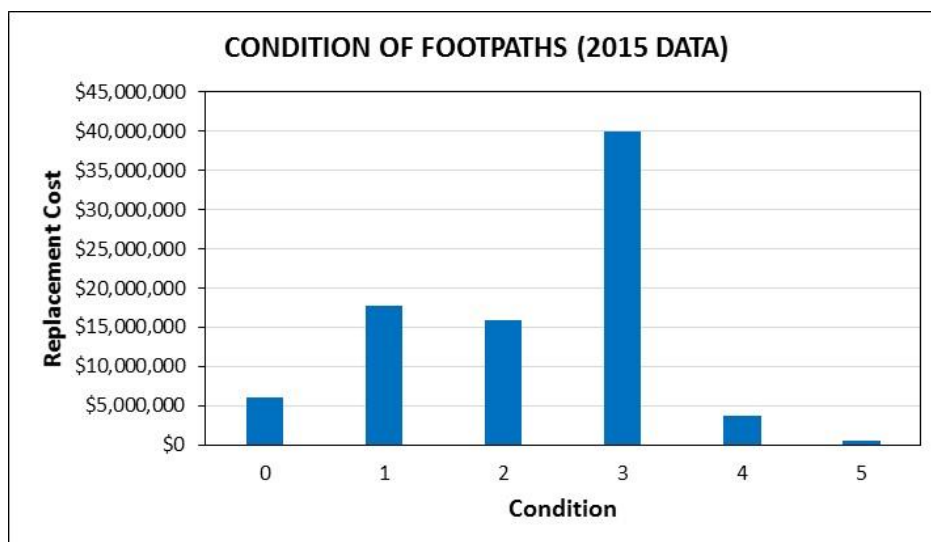


CONDITION OF FOOTPATH ASSETS

The condition of Council’s 257km of footpaths was surveyed at 20m intervals in 2015 by consultants Infrastructure Management Group (IMG). The condition scores used are shown in the following table.

| FOOTPATH CONDITION MATRIX | | | | |
|---------------------------|----------------------------------|---------------|---------------|-----------|
| SCORE | AGE ESTIMATE | MINOR DEFECTS | MAJOR DEFECTS | TRIPS |
| 1 | Almost New (likely < 5 years) | 0 | 0 | |
| 2 | Minor Ageing (5 to 10 years) | <10% | 0 | |
| 3 | Moderate Ageing (10 to 15 years) | 10 - 25% | < 10% | 10 - 25mm |
| 4 | Significant Ageing (> 25 years) | 25 - 50% | < 25% | > 25mm |
| 5 | N/A | > 50% | > 25% | > 50mm |

The graph below shows the replacement cost for each of the condition scores (score 0 indicates areas not surveyed). It should be noted that the replacement cost is based on the condition of footpaths at 20m intervals. In practice and where funds permit footpath sections in condition 3 are generally replaced at the same time as footpath sections in condition 4 or 5 if they are adjacent and it is cost effective.

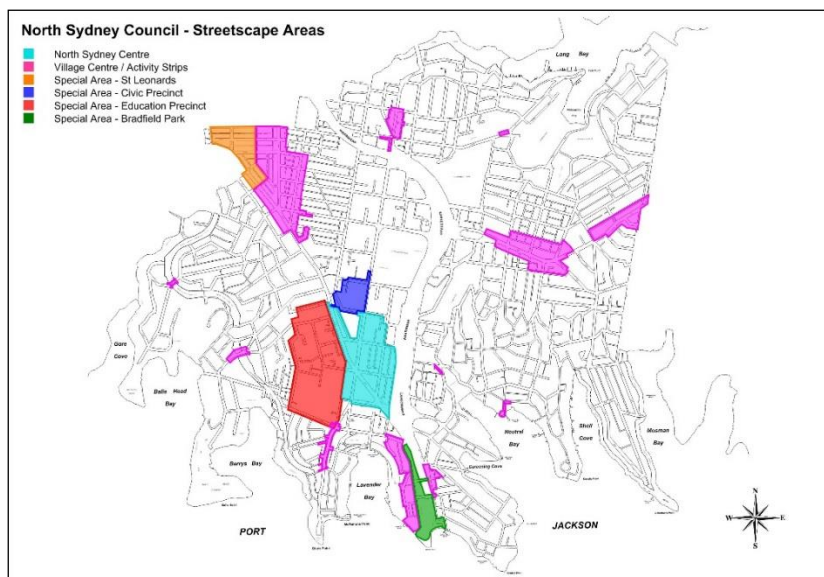


The actual replacement costs for each condition are detailed in the table below:

| CURRENT REPLACEMENT COST BASED ON 2015 VALUATION "LIKE FOR LIKE REPLACEMENT ONLY" | | | | | |
|--|----------------|-------------------------------|-------------|-------------------------------|-------------|
| CONDITION | LENGTH (M) | REPLACEMENT COST 2016/17 (\$) | % 2016/17 | REPLACEMENT COST 2017/18 (\$) | % 2017/18 |
| 0 | 15,353 | 6,065,830 | 7% | * | * |
| 1 | 59,456 | 17,688,645 | 21% | \$21,241,502 | 23% |
| 2 | 148,270 | 15,949,240 | 19% | \$16,788,674 | 18% |
| 3 | 25,602 | 40,048,535 | 48% | \$48,541,437 | 53% |
| 4 | 5,6158 | 3,768,390 | 4% | \$4,349,042 | 5% |
| 5 | 2,619 | 479,350 | 1% | \$504,579 | 1% |
| Total | 256,918 | 83,999,990 | 100% | \$91,245,234 | 100% |

* Condition 0 added to Condition 3 as per Special Schedule 7, 2017/18

It is important to note that replacement costs are based on "like for like" replacement only. Council adopted *Public Domain Style Manual* in 2014 which includes, for example, replacing standard pavers on road base with granite pavers on a concrete base in the North Sydney CBD. The areas in the map below have been identified for footpath upgrade as per *Public Domain Style Manual*. Therefore, replacing the existing footpath materials with upgraded materials will increase the replacement cost significantly.



CONDITION OF OTHER INFRASTRUCTURE ASSETS

Condition data has been collected for the following:

- Road Pavement (2015)
- Lighting (2015)
- Footpaths (2016)
- Stormwater Quality Improvement Devices (2016)
- Seawalls (2017)
- Stormwater Drainage (ongoing)
- Retaining Walls (2018)
- Kerb and Gutter (2018)
- Traffic Facilities (2018)
- Marine Structures (2018)

Condition data is currently being collected for the following assets:

- Fences and Safety Barriers (2018)
- Road Pavement (2019)
- Bus Shelters (2019)
- Cycleways (2020)
- Footpaths (2019, 2020)
- Street Furniture (2019, 2020)
- Stormwater Drainage (ongoing)

Condition data is required to be collected for the following assets:

- Property
- Public Amenities
- Signage
- Playgrounds
- Sporting Fields
- Sports Field Lighting
- Sporting Infrastructure
- Public Art and Monuments



Neutral Bay Public Amenities

PLANNING ASSUMPTIONS

RENEWAL FUNDING SCENARIOS (LONG TERM FINANCIAL PLAN)

The depreciation and renewal expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term.

The Long Term Financial Plan includes three scenarios, all of which maintain current service levels but propose differing levels of capital expenditure on the renewal of Council's ageing infrastructure assets. In summary:

| SCENARIO | DESCRIPTION |
|--|---|
| Scenario 1 (Base Case/Reduced Services) | Reflects the implementation of the annual IPART determination (rate peg) as the basis of rates revenue projections. It results in a decline in Council's capacity to provide current levels of service. |
| Scenario 2 (Maintain existing services and invest \$15.3m in infrastructure) | Incorporating a 5.5% special rate variation (SRV) inclusive of rate peg, for five years, commencing in Year 2 (2019/20). |
| Scenario 3 (Maintain existing services and invest \$27.1m in infrastructure) | Incorporating a 7% SRV inclusive of rate peg, for five years, commencing in Year 2 (2019/20). |

The following table indicates the average annual asset consumption required to meet the 100% target associated with the Asset Renewal Ratio, over the life of the *Long Term Financial Plan*.

| ASSET CLASS | AVERAGE ANNUAL ASSET CONSUMPTION (\$) |
|--------------------------------------|---------------------------------------|
| Open Space and Recreation Facilities | 531,000 |
| Depreciable land improvements | 496,000 |
| Footpaths | 2,500,000 |
| Other Infrastructure | 3,940,000 |
| Roads | 5,830,000 |
| Stormwater Drainage | 2,087,000 |
| Buildings | 3,441,000 |
| Swimming Pools | 413,000 |
| Investment Properties | 0 |
| Public Art | 26,000 |
| Total | 19,264,000 |

SERVICE DEMAND AND SATISFACTION

Achieving and maintaining sustainability in local government requires consideration of services, service levels, associated costs and associated risks. The appropriate management of the infrastructure of Council requires asset management estimates and asset accounting estimates that are realistic and support decision making.

Asset management sustainability is reliant on Council engaging with the community on affordable and sustainable service levels to determine satisfactory service levels and the trade-off between what the community is prepared to pay the quality and mix of services Council can afford to provide.

Council periodically conducts a *Customer Satisfaction Survey*¹⁰ to determine community (residents and businesses) attitudes towards the services and facilities it provides. This

¹⁰ All survey results are available at:

provides Council with feedback about the quality and appropriateness of each of its services, and this information is used in the development of the *Delivery Program* to ensure areas that are not meeting community expectation are reviewed and form the basis of the suite of indicators used to measure Council's performance.

Surveys were conducted in 2002, 2004, 2006, 2009, 2010, 2013 and 2016. The survey is conducted on Council's behalf by an independent research company. The randomly selected representative sample consists of 400 residential customers (both owners and renters) and 200 business customers.

It is clear from the most recent surveys that the North Sydney community expect the current level of service to be retained, and if anything increased.

The following table details the relative importance of service areas for residents as identified through the *2016 Customer Satisfaction Survey*.

| RELATIVE IMPORTANCE - RESIDENTS | | | |
|---------------------------------|--|-------------|--------------------------------------|
| RANKING | SERVICE/FUNCTION | 2016 RESULT | CHANGE IN RELATIVE RANKING FROM 2013 |
| 1 | Maintaining local roads and footpaths | 100% | no change |
| 2 | Maintaining parks, ovals and bushland areas | 97% | no change |
| 3 | Managing traffic flow on local roads | 86% | +8 |
| 4 | Improving provision of parking | 84% | +2 |
| 5 | Keeping local roads and footpaths clean | 80% | -2 |
| 6 | Improving Stanton Library | 48% | +1 |
| 7 | Improving children's services | 45% | -2 |
| 8 | Improving waste and recycling collection services | 40% | +1 |
| 9 | Maintaining malls and plazas in commercial areas | 38% | -1 |
| 10 | Improving services offered at community centres | 32% | -6 |
| 11 | Improving North Sydney Olympic Pool | 18% | -1 |
| 12 | Improving customer service/information provided by council staff | 0% | +1 |
| 13 | Increasing the policing of parking | 0% | -1 |

The following table details the resident satisfaction with key service areas:

| SATISFACTION WITH KEY SERVICE AREAS - RESIDENTS | | | |
|---|---|-------------|-----------------------------|
| RANKING | SERVICE/FUNCTION | 2016 RESULT | CHANGE COMPARED TO 2013 (%) |
| 1 | Feeling safe in North Sydney | 89% | 3% increase |
| 2 | Maintaining parks, ovals and bushland areas | 89% | 6% increase |
| 3 | Waste and recycling collection services | 82% | 2% decrease |
| 4 | Recreation facilities | 82% | n/a |
| 5 | Cleanliness of local roads and footpaths | 81% | 2% increase |
| 6 | Maintenance of malls and plazas in commercial areas | 77% | 6% increase |
| 7 | The appearance of local village centres | 76% | 2% decrease |
| 8 | The appearance of public spaces in the North Sydney CBD | 75% | 4% increase |
| 9 | Council run community events | 74% | n/a |
| 10 | Customer service/information provided by Council staff | 73% | 11% increase |
| 11 | Maintenance of local roads and footpaths | 71% | 9% increase |
| 12 | Stanton library | 67% | 1% decrease |
| 13 | Range of arts and cultural experiences in North Sydney | 64% | n/a |
| 14 | Community centres and facilities | 64% | 3% increase |
| 15 | Quality of commercial and residential development | 63% | n/a |

http://www.northsydney.nsw.gov.au/Council_Meetings/Community_Engagement/Customer_Satisfaction_Survey

| SATISFACTION WITH KEY SERVICE AREAS - RESIDENTS | | | |
|---|---|-------------|-----------------------------|
| RANKING | SERVICE/FUNCTION | 2016 RESULT | CHANGE COMPARED TO 2013 (%) |
| 16 | North Sydney Olympic Pool | 63% | 5% increase |
| 17 | Pedestrian and Cycle Paths | 54% | 1% decrease |
| 18 | Policing of parking | 53% | 1% decrease |
| 19 | Range of public art in North Sydney | 51% | n/a |
| 20 | Management of traffic flow on local roads | 46% | n/a |
| 21 | Children's services | 43% | 8% increase |
| 22 | Provision of parking | 35% | n/a |
| 23 | Satisfaction with the way North Sydney as a whole looks and feels | 19% | n/a |

The following table details the relative importance of service areas for businesses:

| RELATIVE IMPORTANCE - BUSINESSES | | | |
|----------------------------------|--|-------------|--------------------------------------|
| RANKING | SERVICE/FUNCTION | 2016 RESULT | CHANGE IN RELATIVE RANKING FROM 2013 |
| 1 | Provision of parking | 100% | +3 |
| 2 | Maintaining local roads and footpaths | 82% | no change |
| 3 | Managing traffic flow on local roads | 73% | +4 |
| 4 | Keeping local roads and footpaths clean | 62% | -2 |
| 5 | Maintaining commercial areas | 43% | +1 |
| 6 | Quality of commercial and residential development | 39% | -1 |
| 7 | Improving the look and feel of village centres | 37% | +1 |
| 8 | Customer service/information provided by Council staff | 8% | +1 |
| 9 | Increasing the policing of parking | 6% | +1 |

The following table details the resident satisfaction with key service areas as identified in the 2016 Customer Satisfaction Survey.

| SATISFACTION WITH KEY SERVICE AREAS - BUSINESSES | | | |
|--|--|-------------|-----------------------------|
| RANKING | SERVICE/FUNCTION | 2016 RESULT | CHANGE COMPARED TO 2013 (%) |
| 1 | Cleanliness of local roads and footpaths | 82% | 4% increase |
| 2 | Way North Sydney as a whole looks and feels | 81% | n/a |
| 3 | Maintenance of commercial areas | 76% | 2% decrease |
| 4 | Look and feel of commercial areas and villages | 73% | n/a |
| 5 | Quality of commercial and residential development | 72% | n/a |
| 6 | Maintaining local roads and footpaths | 70% | 3% increase |
| 7 | Customer service/information provided by Council staff | 57% | 10% decrease |
| 8 | Managing traffic flow on local roads | 53% | n/a |
| 9 | Increasing the policing of parking | 53% | 6% decrease |
| 10 | Provision of parking | 33% | n/a |

The following table indexes residents' relevant importance for funding against satisfaction:

| | |
|---|--|
| Lower Importance - Higher Satisfaction - Lower priority issues <ul style="list-style-type: none"> • Customer service • North Sydney Olympic Pool • Community Centres • Stanton Library • Waste collection services • Malls and plazas in commercial areas • Children's services | Higher Importance - Higher Satisfaction - Issues requiring no additional attention <ul style="list-style-type: none"> • Parks, ovals and bushland areas • Cleanliness local roads and footpaths |
| Lower Importance - Lower Satisfaction | Higher Importance - Lower Satisfaction |

| | |
|---|---|
| <p>- Issues needing some attention</p> <ul style="list-style-type: none"> • Policing of parking | <p>- Critical issues for attention</p> <ul style="list-style-type: none"> • Provision of parking • Management of traffic flow • Maintaining roads and footpaths |
|---|---|

The following table indexes business' relevant importance for funding against satisfaction:

| | |
|--|---|
| <p>Lower Importance - Higher Satisfaction - Lower priority issues</p> <ul style="list-style-type: none"> • Customer service • Appearance of commercial streetscapes • Quality of development • Maintaining commercial areas | <p>Higher Importance - Higher Satisfaction - Issues requiring no additional attention</p> <ul style="list-style-type: none"> • Maintenance local roads and footpaths • Cleanliness local roads and footpaths |
| <p>Lower Importance - Lower Satisfaction - Issues needing some attention</p> <ul style="list-style-type: none"> • Policing of parking | <p>Higher Importance - Lower Satisfaction - Critical issues for attention</p> <ul style="list-style-type: none"> • Provision of parking • Management of traffic flow |

As part of Council's continual improvement of its asset management planning it is recommended that in future years a more informed discussion with the community is required in order to further develop an understanding of the relationship between desired levels of service their associated costs, and their willingness and/or capacity to pay for them.

GAPS AND FUTURE NEEDS

PRIORITY RISK AREAS

North Sydney LGA is an established area. Much of its infrastructure is aging and requires renewal. Risk management plans have been developed as part of the *Asset Management Plans*. This information provides a long term view of the responsibilities that should be taken into account in future planning and decision making. The priority risk areas are as follows:

| PRIORITY RISK AREAS | |
|--|---|
| RISK | DESCRIPTION |
| Property | There are a number of significant properties, including the North Sydney Olympic Pool and North Sydney Oval, which require significant investment and renewal to meet modern user needs and community expectations. |
| Stormwater Drainage | Council has 101km of stormwater pipes. They have an inherent high risk of sudden failure if not maintained adequately. Approximately 70% of the network has been surveyed. The estimated cost to repair pipes in poor condition is \$27,000,000. |
| Retaining Walls | Council has 22km of retaining walls. They have an inherent high risk of sudden failure if not maintained adequately. A condition audit has been completed in 2018. A report has identified that the estimated cost to repair retaining walls in poor condition is \$8,222,397. |
| Seawalls | Council has 4.9km of seawalls. They have an inherent high risk of sudden failure if not maintained adequately particularly considering the aggressive harbour environment. A condition audit completed in 2017 has identified that the estimated cost to repair seawalls in poor condition is \$4,800,000. |
| Marine Structures | Council has 25 marine structures. They have an inherent high risk of sudden failure if not maintained adequately particularly considering the aggressive marine environment on timber structures. A condition audit completed in 2018 has identified that the estimated cost to repair marine structures in poor condition is \$2,368,133. Council has a number of marine structures that are in immediate need of replacement. |
| Stormwater quality improvement devices | Council has 26 Stormwater quality improvement devices. A detailed audit has recommended that 10 of these devices be replaced due to either condition or not functioning efficiently. Renewal of these devices reduce the pollution entering the harbour. |
| Road Pavements, Footpaths, Kerb and Gutter | Adequate capital budgets are required to reduce the risk of the condition of the asset network deteriorating. |
| Public Lighting | Council must provide adequate lighting to its streets, parks and public reserves. |

DRAINAGE RISK EXAMPLES

Examples of drainage risks are shown in the following photos.



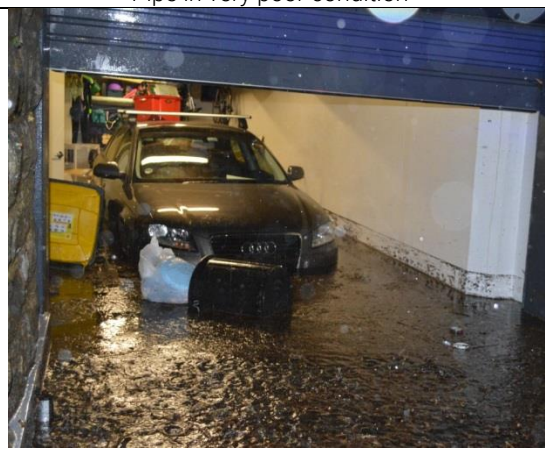
Pipe in very poor condition



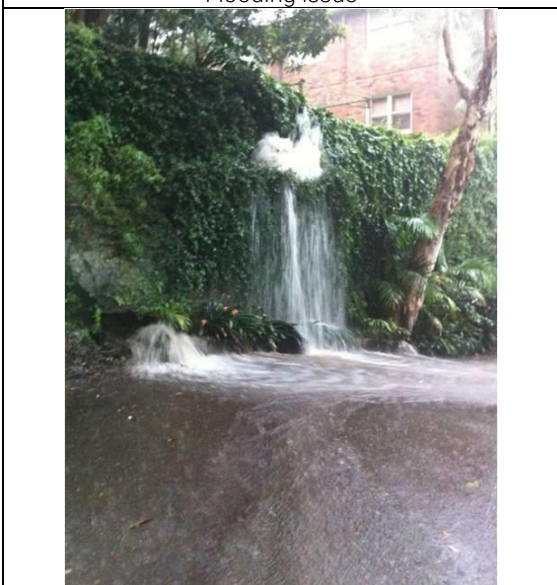
Pipe in very poor condition



Flooding issue



Flooding issue



Flooding issue



Sink hole in road near pipe



Sink hole in road near pipe



Sink hole in reserve near pipe



Gross Pollutant Trap prior to cleaning



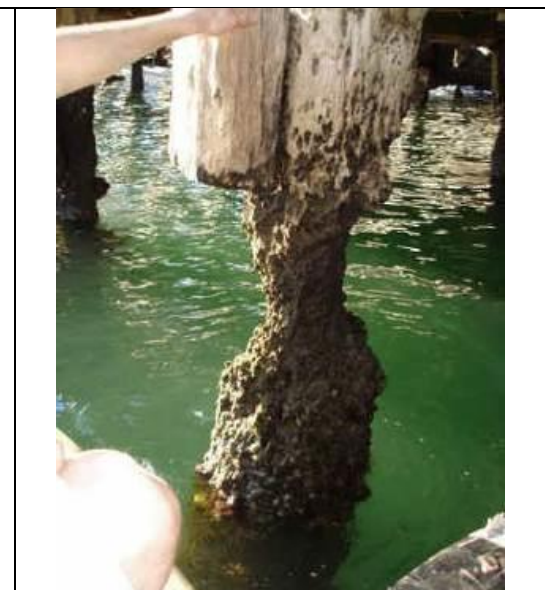
Litter Basket full of silt prior to cleaning

MARINE STRUCTURE AND SEA WALL RISKS







Examples of marine structure and seawall risks are shown in the following photos.



Pile in very poor condition



Pile in very poor condition

| | |
|---|--|
|  |  |
| <p>Termites found in timber marine structure</p> | <p>Evidence of marine worms in timber structure</p> |
|  |  |
| <p>Cremorne Point</p> | <p>Sawmillers Reserve</p> |
|  |  |
| <p>Sawmillers Reserve</p> | <p>Blues Point</p> |



McMahons Point



McMahons Point



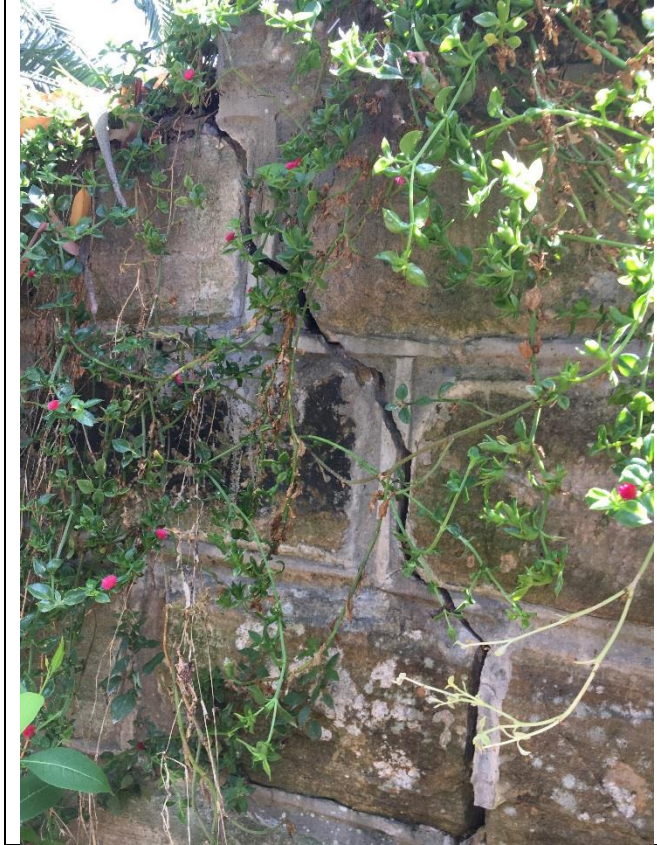
Blues Point

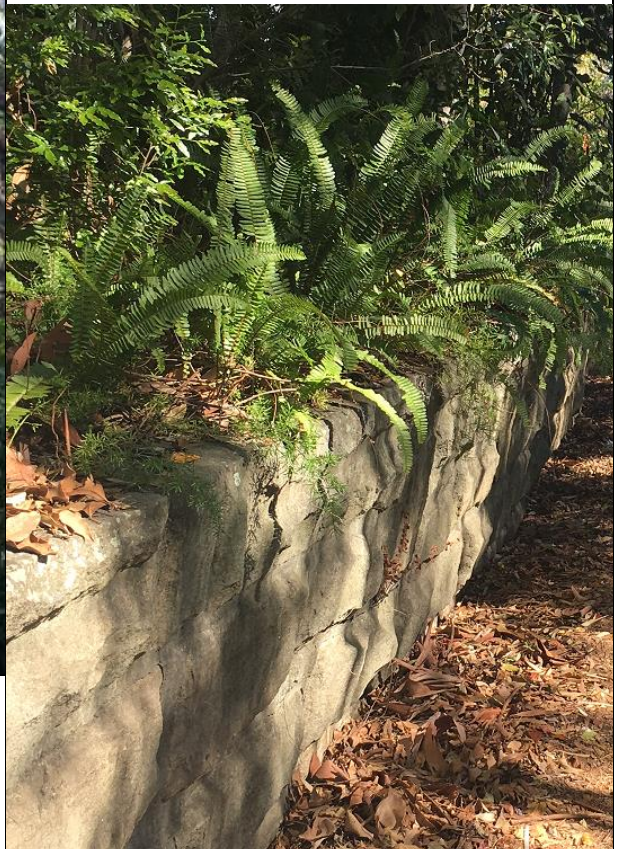
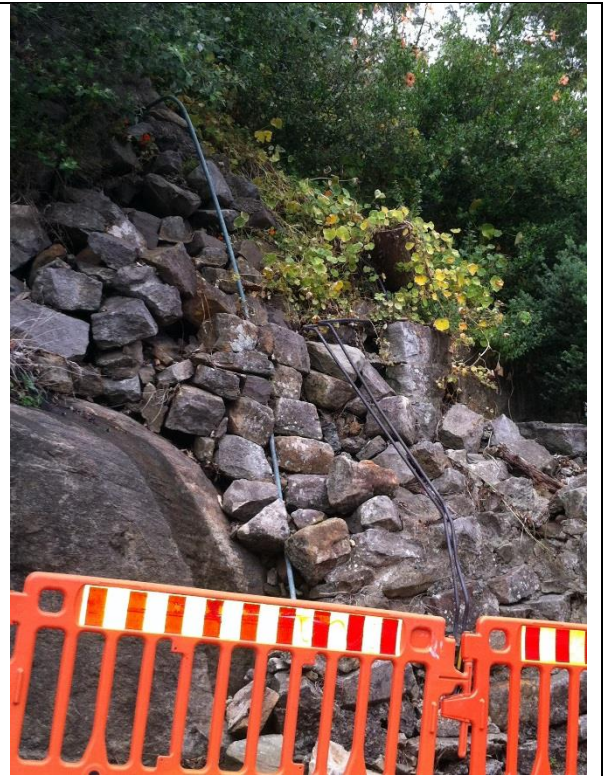


Crowded foreshore on New Years Eve

RETAINING WALL RISKS

Examples of retaining wall risks are shown in the following photos.







Council will endeavour to manage these risks within available funding by prioritising renewal works based on industry guidelines including those provide by the Institute of Public Works Engineering Australia (IPWEA).

IMPROVEMENT PLAN

A whole of organisation approach is essential for asset management practices to continue to improve. The following Improvement Plan summarises the areas for improvement within Council's *Asset Management Plans*:

| PRACTICE AREA | TASK | TIMELINE |
|-----------------|---|--|
| Data Collection | <p>Condition data has been collected for the following:</p> <ul style="list-style-type: none"> • Road Pavement (2015) • Lighting (2015) • Footpaths (2016) • Stormwater Quality Improvement Devices (2016) • Seawalls (2017) • Stormwater Drainage (ongoing) • Retaining Walls (2018) • Kerb and Gutter (2018) • Traffic Facilities (2018) • Marine Structures (2018) <p>Condition data is currently being collected for the following assets:</p> <ul style="list-style-type: none"> • Fences and Safety Barriers (2018) • Road Pavement (2019) • Bus Shelters (2019) • Cycleways (2020) • Footpaths (2019, 2020) • Street Furniture (2019, 2020) • Stormwater Drainage (ongoing) | 2018/19, 2019/20 subject to funding |

| PRACTICE AREA | TASK | TIMELINE |
|--------------------------|--|---|
| | Condition data is required to be collected for the following assets: <ul style="list-style-type: none"> • Property • Public Amenities • Signage • Playgrounds • Sporting Fields • Sports Field Lighting • Sporting Infrastructure • Public Art and Monuments | |
| Annual Report | Review in line with revised condition data. Continue to develop the Corporate Asset Register so that all asset renewals are reported annually. | August 2018 |
| Asset Management Plan | Review current Asset Management Plans in line with the revised condition data and create standardised template for all Asset Management Plans and the accompanying sub categories. | 2018/19 |
| Levels of Service | <i>Customer Satisfaction Surveys</i> are periodically conducted, however detailed consultation with the community regarding Levels of Service and the costs of providing these services will better inform this <i>Asset Management Strategy</i> . | To be determined |
| Asset Management Systems | Continue the implementation of the Corporate Asset Register and updating the Asset Management Plans. Implement any external audit recommendations within the identified timeframes. | Ongoing - subject to resources 2018/19 |
| Skills | Annual review of skills and capabilities | Review annually in July |
| Evaluation | Review <i>Asset Management Policy</i> , <i>Asset Management Strategy</i> , and <i>Asset Management Plans</i> . | Review annually. |

Council's Engineering and Property Services Division has the lead responsibility of implementation, monitoring and reporting against this strategy. This requires collaboration within the organisation and business units (departments/functions) to assist in the achievement of these strategies.

RESOURCING

The sustainable management of assets is a 'whole of council' responsibility, recognised at all levels within the organisation. Council has undertaken a strategic level review of its asset management practices and systems to provide the future direction and guidance for improving its asset management performance. Implementing the maintenance and improvement actions will have a strategic and corporate significance to Council.

Council's *Asset Management Strategy* is directly aligned with the vision and desired outcomes of the *Community Strategic Plan* and *Delivery Program*. Central to this is forecasting the service delivery needs and the capacity to meet them on a short, medium and long term basis.

The cost of implementing the *Asset Management Strategy* has been incorporated within Council's *Delivery Program* (three-year financial estimates) and *Long Term Financial Plan* (10-year financial estimates/three scenarios). However, it should be noted that this strategy reflects Council's intentions at the time of publication. As with any plan or budget, the actual results may vary from that forecast.



MONITORING AND EVALUATION

Council must prepare its asset performance reports in accordance with the requirements of the:

- Local Government Act 1993 and Regulation 2005;
- Local Government Code of Accounting Practice and Financial Reporting; and
- Australian Accounting Standards.

Within five months after the end of each financial year, Council must prepare its *Annual Report* in respect to the implementation of its *Operational Plan*. This report includes:

- the assets acquired by Council during that year; and
- the assets held by Council at the end of that year, for each of Council's principal activities;
- a report on the condition of the public works under the control of Council (Special Schedule 7) as at the end of that year, together with an estimate (at current value) of the amount of money required to bring the works up to a satisfactory standard, an estimate (at current value) of the annual expense of maintaining the works at that standard and Council's program of maintenance for that year in respect of the works.

The results in Special Schedule 7 (reported in the *Annual Report*) flows directly from the *Delivery Program* which includes performance indicators for the levels of services provided by infrastructure assets. In addition to the performance measures referred to above, Council will also continually monitor and review the condition of its infrastructure assets, the Levels of Services these assets, as well as any funding gaps. This data will be then used to inform and update *Asset Management Plans* and the *Asset Management Strategy*.

