

ASSET MANAGEMENT STRATEGY 2022–2032



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Executive Summary

The Asset Management Strategy (Strategy), outlines the strategic context of asset management, the current and future status of asset management at Willoughby City Council, and how we can meet our asset management goal, to achieve “core level” of asset management maturity by 2023 and “advanced level” in the longer term.

This Strategy is part of Council’s Asset Management Framework, which includes the Asset Management Policy; Asset Management Strategy; and Asset Management Plans. The Strategy sets out the way Council will implement the principles of the Asset Management Policy: accountability and direction; asset information management; asset lifecycle management; and service management.

This Strategy demonstrates how Council will meet the asset resourcing requirements of our Delivery Program and Operational Plan, to support the aspirations of the Community Strategic Plan. It also informs the Long Term Financial Plan, ensuring we have sufficient funding to maintain assets at the required levels to ensure service provision.

In our **asset portfolio**, we have over 41,000 assets, with a value of over \$1B (2021). Our assets include: roads, buildings, open space, stormwater, plant and fleet and other assets. These assets enable us to provide services and facilities to the community to meet their needs and are measured through our asset performance; asset value and condition; and asset management practices.

Together they work toward ensuring asset management drives organisation strategy for asset creation, use, management, maintenance, renewal, rationalisation and disposal of assets through strong integration with Council policies, practices and understanding of service levels.

Our **current state** has progressed from previous years, with our maturity assessment improving to an estimated 85% (2021) from a 74% score in 2019, with a total of 5/11 or 45.4% of the elements now with a score of 100%.

Our **asset performance** has been positive, meeting the Office of Local Government asset sustainability measures and have been doing so for the past few years. Continued focus on these measures will be required, particularly with the Infrastructure Levy finishing in June 2022.

Our **asset value and condition** has also improved over the years and places us in a positive position to continue advancing our asset portfolio:

- Council’s asset portfolio renewal backlog has reduced by \$51m since 2014 and the backlog is now only 1.3% of total asset value
- The current replacement value of our assets is over \$1b
- Buildings and road assets constitute over three quarters of our asset stock by value; with stormwater assets constituting a further 15%

-
- 75.9% of assets are in condition 1 (Excellent) and 2 (Good) and do not require immediate replacement, in part due to the investment from the Infrastructure Levy Council has received over the last seven years
 - We will need to spend \$291m over the next 10 years on renewals/upgrades (\$175m) or new assets (\$116m).

Our **asset management practices** are reliant on a robust framework, quality asset data, asset systems, business processes and skilled staff. This is critical for effective lifecycle management of assets to support the delivery of quality services. Over recent years, we have been adapting our asset management practices to suit the business needs, focusing on:

- Improving the core elements of the asset maturity framework
- Implementing a new consolidated, integrated and fully centralised asset register for all asset classes
- Enhancing our asset team focus, skills and resourcing
- Identifying and understanding strategic issues and trends, particular those emerging from COVID-19
- Integrating risk practices within the asset system and business processes

Our asset management goal for our **future state** is - *To achieve “core level” of asset management maturity by 2023 and “advanced level” in the longer term.* The **Improvement Plan** identifies how we will improve our maturity level and meet our intended asset management goal, with high priority actions focusing on the following elements:

- Asset Management Plans
- Governance
- Levels of Service
- Data and systems
- Skills and processes
- Evaluation.

What is asset management and why do we do it?

Asset management is the systematic and coordinated activities and practices of an organisation, to optimally and sustainably deliver on its objectives, through the cost-effective lifecycle management of assets.

Assets are the infrastructure that supports the delivery of the many services and facilities Council offers to support the aspirations of our community, identified through the Community Strategic Plan.

Having an Asset Management Framework supports our strategy for asset creation, use, management, maintenance, renewal, rationalisation and disposal of assets, through strong integration with our policies, practices and understanding service levels.

This Asset Management Strategy intends to:

- Provide a basis for the management of current assets
- Identify assets that are critical to our operations and outline risk management strategies for these assets
- Identify an Improvement Plan to achieve the objectives of the Strategy.

Strategic Framework

As a requirement of the Integrated Planning and Reporting Framework, Council is required to adopt an Asset Management Policy, an Asset Management Strategy and Asset Management Plans for each class of assets, to support the implementation of the Community Strategic Plan and Delivery Program.

Assets are critical to the successful delivery of services and facilities. We will continually work to improve the condition and management of all our assets through our strategic framework, in alignment with the legislated requirements.

Council's Asset Management Framework

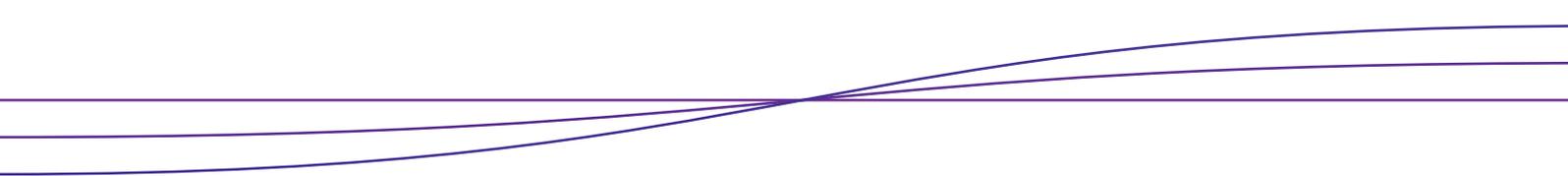
Council has an adopted Asset Management Framework, which includes an Asset Management Policy, this Strategy and Assets Management Plans, supported by a Strategic Asset Management Committee.

Council adopted the *Asset Management Policy (2021)*, Attachment 1. The purpose of the Policy is to provide us with an asset management framework that enables Council to provide sustainable community services using cost effective and fit for purpose assets. The Policy includes the following driving principles:

1. Accountability and direction - The management of assets aligns with the Community Strategic Plan, Delivery Program, and Operational Plan; and supports the Council's vision, policies, strategies and plans
2. Asset Information Management - Assets under the control of Council are identified and recorded in a register with the appropriate level of detail and accuracy
3. Lifecycle Management - Assets are managed from a whole-of-life perspective (i.e. from planning and design to disposal) and are fit for purpose (balance of cost, level of service and risk exposure)
4. Service Management - Council is committed to funding infrastructure renewal requirements stated in the Asset Management Plans, to ensure the sustainability of the City's infrastructure.

This Asset Management Strategy outlines how our policy directions are integrated and supported by our asset portfolio, our practices and how we intend to continue to deliver better practice asset management.

Council has Asset Management Plans (AMP) which outline the service standards and contain long-term projections of asset maintenance, rehabilitation and replacement, including forecast costs for each asset class. The AMPs provide the detail of how we will manage each asset class. We are in the process of updating all AMPs, using the data from a new centralised asset system. This process of review will also include further consultation with stakeholders. The AMPs can be found on Council's website <https://www.willoughby.nsw.gov.au/Council/Policies-Publications/Asset-Management-Plans-and-Resourcing-Strategy>.



Given the varying types of assets and the services and facilities they provide, there are many stakeholders in planning, managing and delivering assets, including: staff across Council, Councillors, residents and ratepayers; businesses, visitors, utility providers and the NSW Government. The benefits of effective asset management with our stakeholders are as follows:

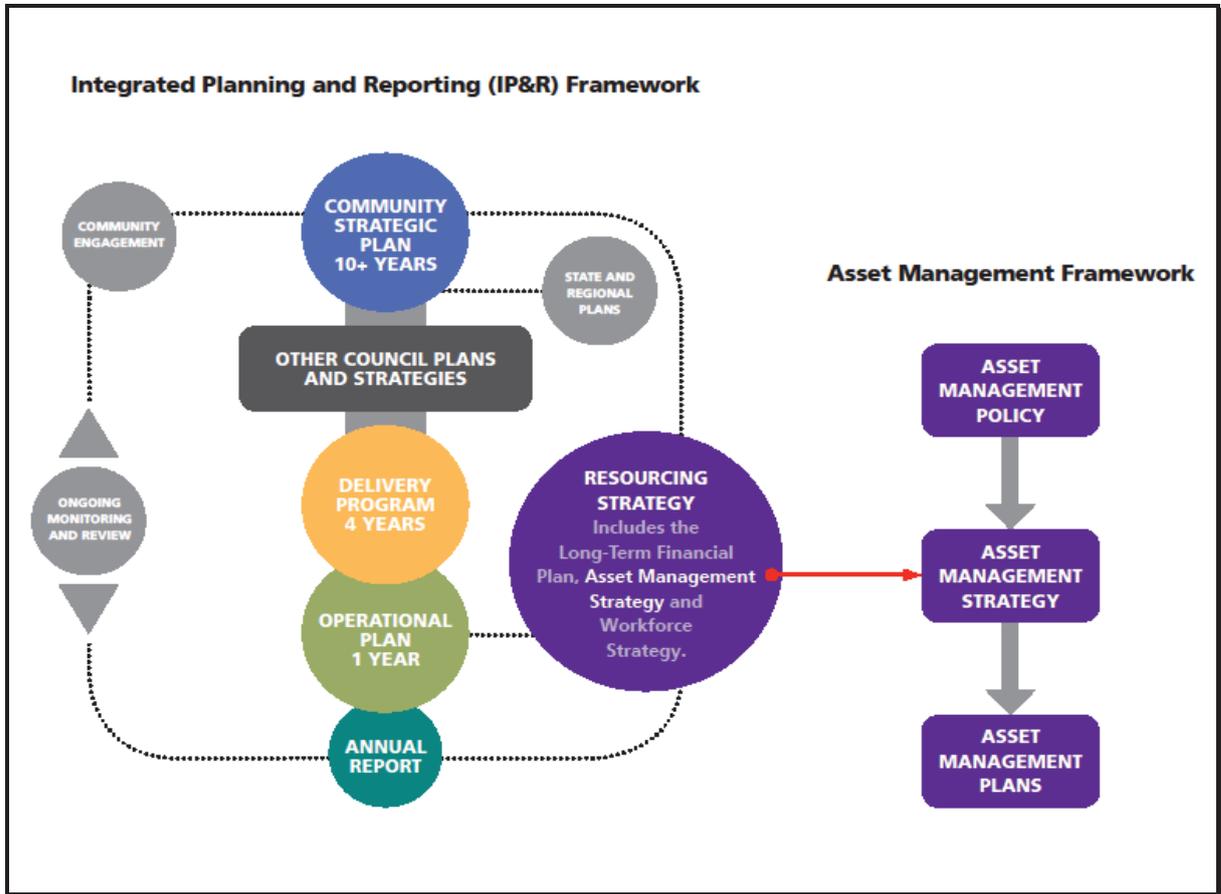
- Strong governance and accountability by demonstrating to the owners, customers and stakeholders that services are being delivered effectively and efficiently
- More effective and sustainable decisions supported by robust information and evidence
- Enhanced customer service through improved understanding of service requirements and options
- Effective risk management by understanding the risks associated with the assets and prioritising risk mitigation
- Improved financial efficiency through informed asset investment and intervention decisions based on lifecycle costs and benefits of alternatives.

In addition, asset management must consider various other Council and external strategies and plans, as these help shape and support our infrastructure asset requirements and also give effect to planning and service delivery. Attachment 2 provides an overview of key documents.

Linkages with the integrated planning & reporting framework

The Asset Management Strategy and Plans form essential elements of the Resourcing Strategy of the Integrated Planning and Reporting Framework, see Figure 1 below.

Figure 1: Links between the asset management and the integrated planning and reporting frameworks



The Asset Management Strategy must:

- Be for a minimum of 10 years
- Include a Council endorsed asset management policy
- Identify assets and risks critical to Council’s operations
- Include specific actions to improve Council’s asset management capabilities.

Council's asset portfolio

An asset is an item, thing or entity that has potential or actual value to an organisation. Assets are provided to support Council functions, community services and outcomes.

Council has over 41,000 assets, grouped into eight asset classes, valued at over \$1B (2021). The asset class and what category of infrastructure is outlined below.

Figure 2: Council assets

Asset Class	Asset Category		
Roads	<ul style="list-style-type: none"> Sealed roads Bridges Kerb and gutter 	<ul style="list-style-type: none"> Footpaths Bus stops Local traffic management devices 	<ul style="list-style-type: none"> Car parks Barriers Bulk earthworks
Buildings	<ul style="list-style-type: none"> Council offices Council works depots Amenities / toilets 	<ul style="list-style-type: none"> Halls Libraries Childcare centres 	<ul style="list-style-type: none"> Community centres Houses Commercial buildings
Stormwater drainage	<ul style="list-style-type: none"> Pipes Pits 	<ul style="list-style-type: none"> Detention basins Retention basins 	<ul style="list-style-type: none"> Gross Pollutant Traps Swales
Open space / recreational assets	<ul style="list-style-type: none"> Swimming pools Bushland 	<ul style="list-style-type: none"> Parks and playgrounds 	<ul style="list-style-type: none"> Sporting fields Tennis courts
Other infrastructure assets	<ul style="list-style-type: none"> Depreciable land improvements 	<ul style="list-style-type: none"> Walking tracks 	<ul style="list-style-type: none"> Retaining walls
Other structures	<ul style="list-style-type: none"> Chatswood solar farm 	<ul style="list-style-type: none"> Public art 	<ul style="list-style-type: none"> Water treatment tank at The Concourse
Fleet and plant	<ul style="list-style-type: none"> Yellow plant Equipment 	<ul style="list-style-type: none"> Heavy vehicles Light vehicles 	<ul style="list-style-type: none"> Major plant Attachments
Other assets	<ul style="list-style-type: none"> Paid parking Sundry assets 	<ul style="list-style-type: none"> Office equipment Office furniture ICT equipment 	<ul style="list-style-type: none"> Library assets Cultural assets Leisure assets

Current State

The current state of our assets and asset management practices are measured by the following:

- Asset performance
- Asset value and condition
- Asset management practices.

They work toward ensuring asset management drives organisation strategy for asset creation, use, management, maintenance, renewal, rationalisation and disposal of assets through strong integration with Council policies, practices and understanding of service levels.

Asset performance

Figure 3 shows the performance of our assets as represented by four ratios based on extracts from the *Report on Infrastructure Assets* section of the 2021 Financial Statements. These are key measures identified by the Office of Local Government and focus on: alignment to this Strategy; having a fully funded capital works program; reducing and eliminating asset backlog; and optimising returns from assets. These ratios are measured annually, subject to external audit, and comparable to other councils across NSW.

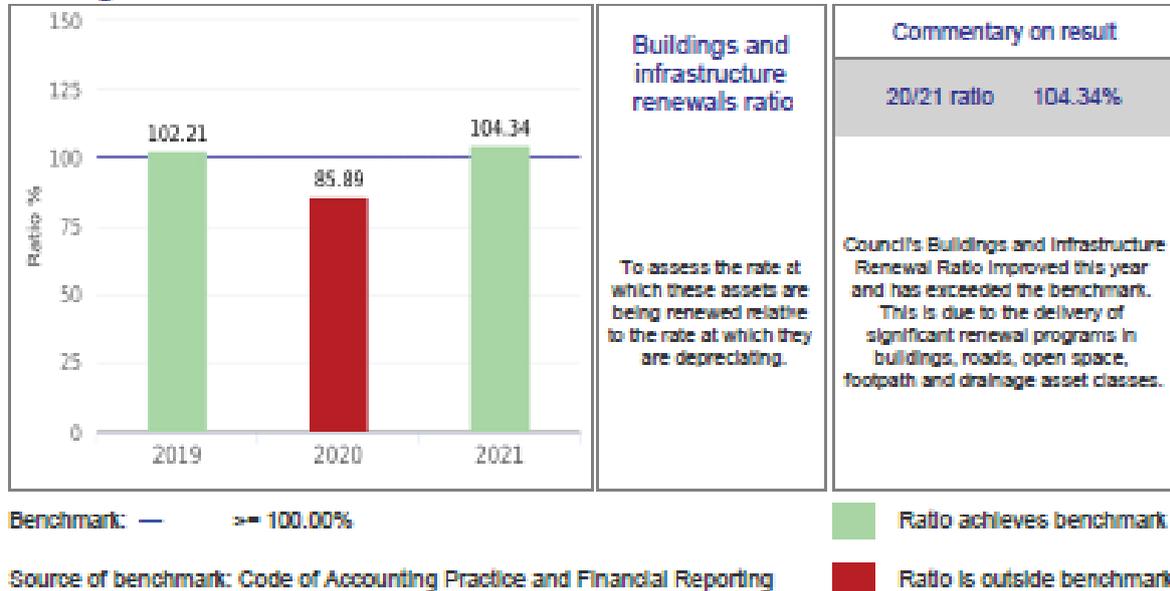
Some key highlights of our asset performance include:

- We have met the sustainability measures and has been doing so for the past few years. The only exceptions are the buildings and infrastructure renewal ratio (BIRR) in 2020, and the maintenance ratio in 2019. COVID-19 restrictions were a major factor of reduced availability of contractors to complete asset renewal projects.
- Our asset portfolio renewal backlog has reduced by \$51 million since 2014 and the backlog is now only 1.3% of total asset value.

Continued focus on these measures will be required, particularly with the Infrastructure Levy finishing in June 2022.

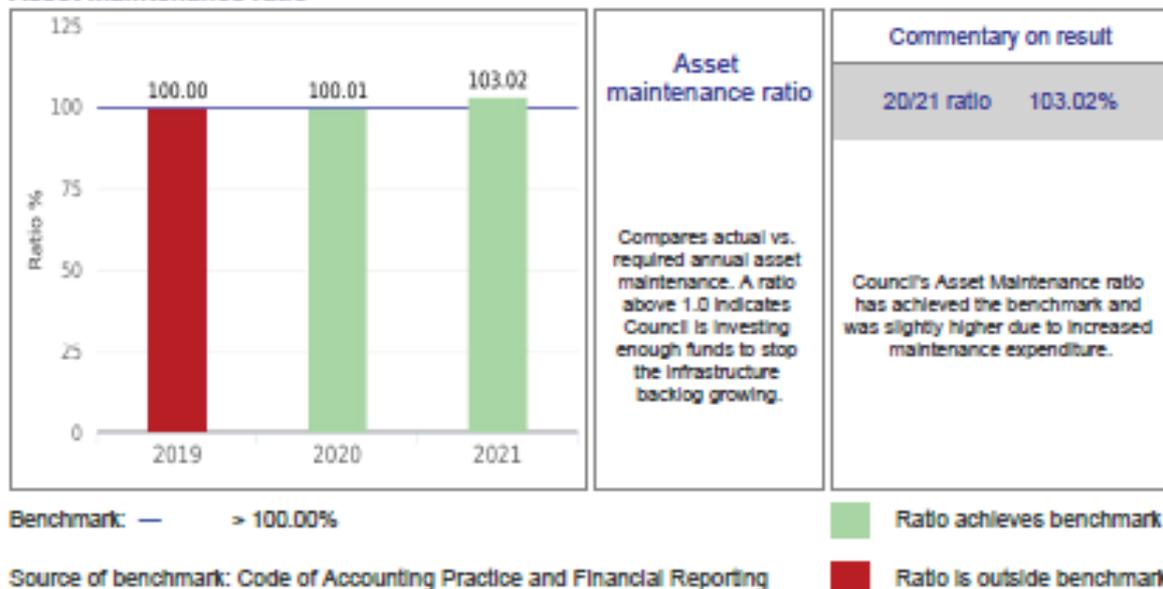
Figure 3: Asset performance measures

Buildings and infrastructure renewals ratio



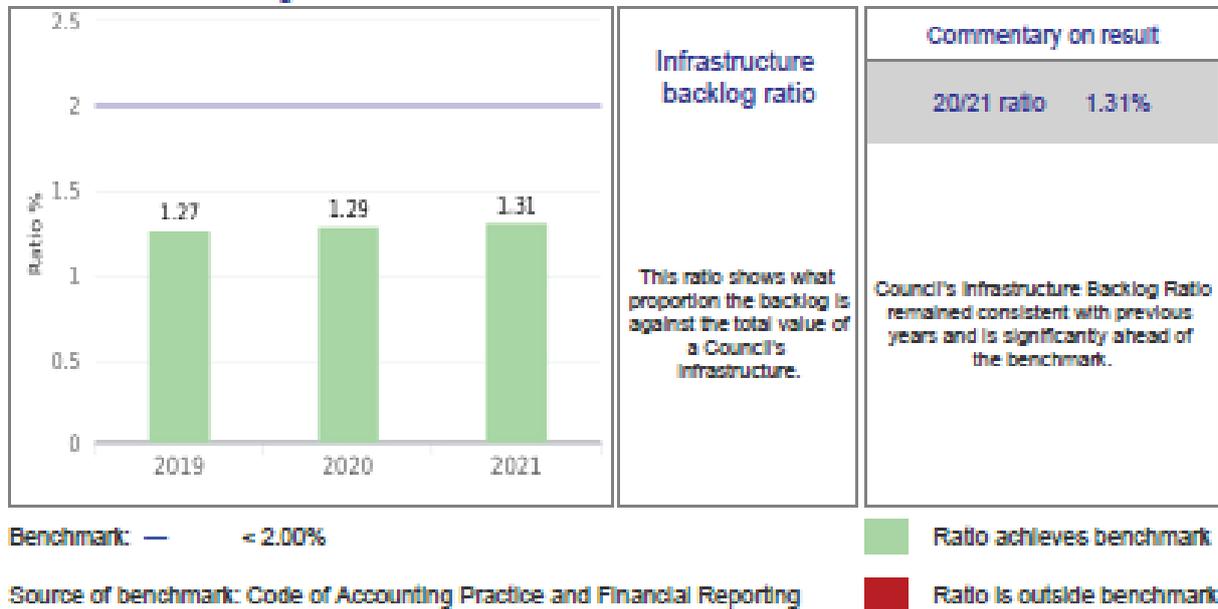
(Figure 3 continued)

Asset maintenance ratio



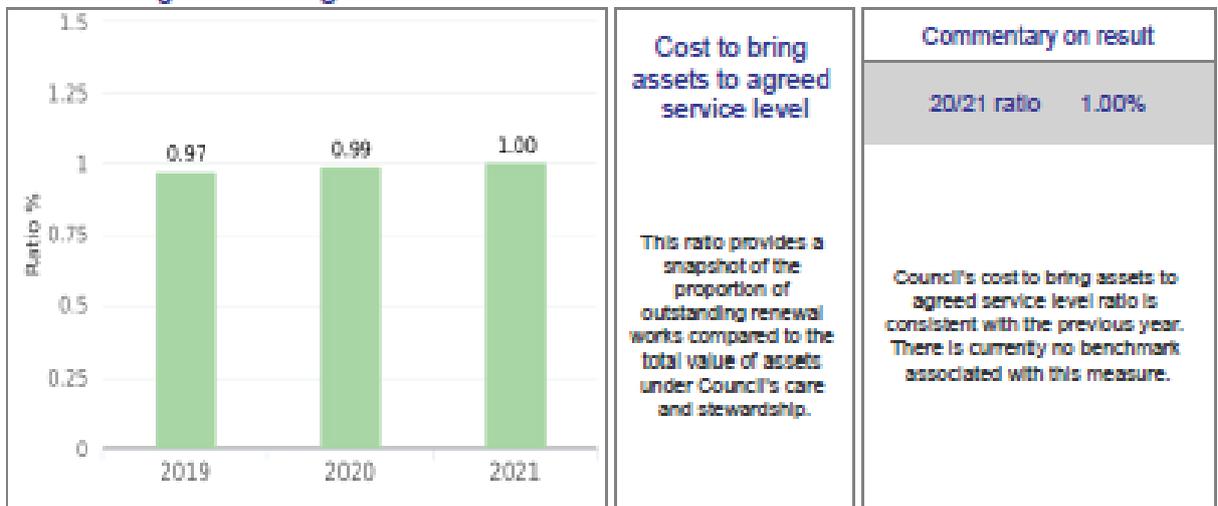
(Figure 3 continued)

Infrastructure backlog ratio



(Figure 3 continued)

Cost to bring assets to agreed service level



Through the implementation of the asset management and works modules of the corporate system, we will improve the measurement and reporting of the asset maintenance ratios to be more reflective of our actual performance compared to planned performance.

Asset valuation and condition

Asset value

The current replacement value of our assets is over \$1B. Figures 4 and 5 provide an overview of the asset values of distribution of replacement costs. Some key highlights of our asset value include:

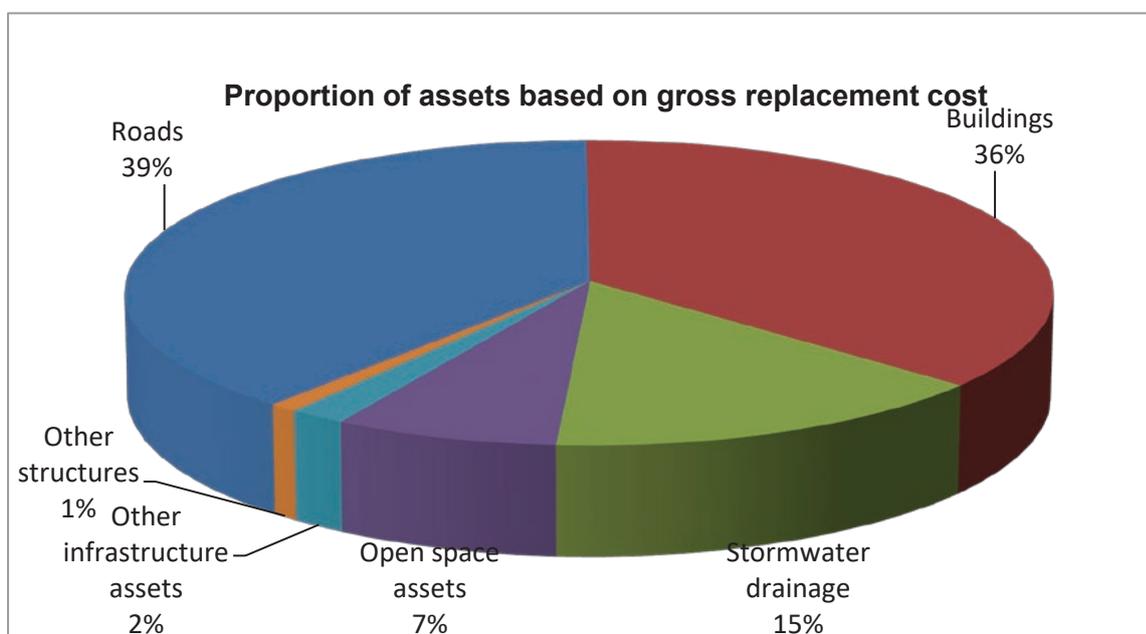
- Buildings and road assets constitute over three quarters of our asset stock by value; with stormwater assets constituting a further 15%.
- We have an asset net carrying amount of \$803m indicating a service potential of about 76% of the total asset stock.

Further detailed information and breakdowns of each asset class can be found in the relevant Asset Management Plans.

Figure 4: Asset values

\$'000	Special Schedule 7 - Report on infrastructure assets as at 30 June 2021				
Asset class	Gross replacement cost (GRC)	Net carrying amount	Depreciation	Actual Maintenance	Cost to bring assets to satisfactory
Roads	407,315	297,352	109,963	2,521	6,092
Buildings	383,485	310,973	72,512	4,346	236
Stormwater Drainage	155,006	121,002	34,004	401	2,712
Open space / recreational assets	76,473	51,645	24,828	2,811	1,175
Other infrastructure assets	19,342	15,022	4,320	36	350
Other structures	9,719	7,103	2,616	110	0
TOTAL ALL ASSET CLASSES	1,051,340	803,097	248,243	10,225	10,565

Figure 5: Distribution of asset types based on gross replacement cost



Asset condition

The condition of our assets is reviewed regularly, we continue to improve data quality through the implementation of the enterprise wide asset system and its connection to our works module. Asset condition information is required for legislated reporting and used for financial modelling and establishing our program of works.

Some key highlights of our asset condition include*:

- 75.9% of assets are in condition 1 (Excellent) and 2 (Good) and do not require immediate replacement, in part due to the investment from the Infrastructure Levy Council has received over the last seven years.
- 1.2% and 3.6 % of our assets by value, require immediate and short-medium term renewals respectively.

* Based on 2021 data reported through Special Schedule 7.

The figures below provide an overview of the asset condition according to asset classes. Further detail can be found within the Asset Management Plans.

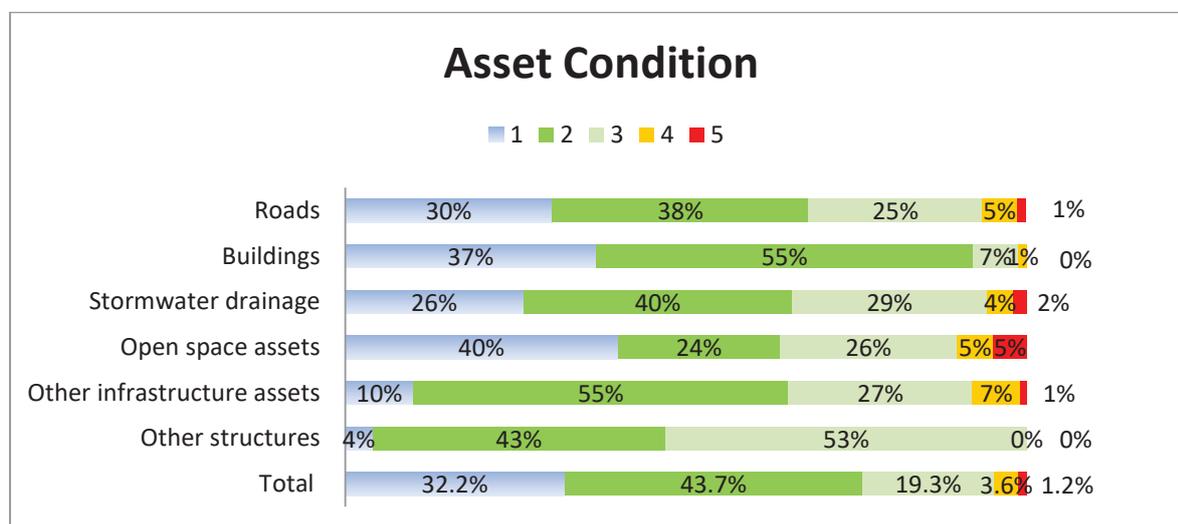
Figure 6: Asset condition

Asset class	Proportion of asset class (based on GRC)	Cumulative Proportion	Assets in condition (based on % of GRC) as at 30 June 2021				
			1	2	3	4	5
Roads	38.7%	38.7%	30.4%	37.6%	25.4%	5.2%	1.3%
Buildings	36.5%	75.2%	36.8%	55.3%	6.6%	1.3%	0.0%
Stormwater drainage	14.7%	90.0%	26.1%	39.5%	28.5%	3.9%	2.0%
Open space assets	7.3%	97.2%	40.0%	23.8%	25.9%	5.4%	4.9%
Other infrastructure assets	1.8%	99.1%	10.0%	55.0%	27.0%	7.0%	1.0%
Other structures	0.9%	100.0%	4.0%	43.0%	53.0%	0.0%	0.0%
TOTAL ALL ASSET CLASSES	100.0%	-	32.2%	43.7%	19.3%	3.6%	1.2%

GRC – Gross Replacement Cost;

Asset condition 1 – Excellent; Asset condition 5 – Very poor

Figure 7: Alternative asset condition representation



Asset condition information assists in identifying the maintenance costs of each asset class, along with the levels of service outlined within the Asset Management Plans. Additional work is being undertaken with the new system to gain further accuracy of these figures through infield verification, to better understand our levels of service for each asset class.

The asset condition data assists in providing the financial modelling over the next 10 years for expenditure over each asset class and also the type of expenditure, either renewals and upgrades or new assets, as outlined below in Figures 8 and 9 below.

Figure 8: Asset Expenditure by Asset Class over the next 10 years

Asset Expenditure By Asset Class	10 Year Total (\$'M)
Building	161.4
Roads, Bridges and Carparks	68.7
Stormwater and Drainage	26
Open space/Recreational assets	27.5
Other infrastructure assets	6.7
Other assets	0.9
Grand Total	291.0

Figure 9: Asset Expenditure by Type over the next 10 years

Assets by Expenditure Type	10 Year Total (\$'M)
Renewals and Upgrades to Existing Assets	175.2
New	115.8
Total	291.0

Asset management practices

Our asset management practices are reliant on a robust framework, quality asset data, asset systems, business processes and skilled staff. This is critical for effective lifecycle management of assets to support the delivery of quality services. Over recent years, we have been adapting our asset management practices to suit the business needs.

Current maturity assessment

In September 2018 an internal audit assessed our asset management maturity utilising the *National Asset Management Assessment Framework* (NAMAF) initiated by the Local Government and Planning Ministers' Council. The assessment tool has two components, core maturity and advanced maturity, with 79 and 69 questions respectively covering 11 key elements of asset management, including:

- Community Strategic Plan
- Annual budget
- Annual report
- Asset Management Policy
- Asset Management Plans
- Asset Management Strategy
- Governance
- Levels of Service
- Data and systems
- Skills and processes
- Evaluation.

The audit identified that we did not meet the core level of maturity. Figure 10 shows our aggregate scores over the 11 elements of NAMAF. Our asset management goal at that time was to meet core maturity in 2022.

Given the requirements of the new system, some asset improvements needed to be deferred to allow staff to focus on asset data preparation for inclusion in the system, and to assist in the development of the Long Term Financial Plan. Even so, we have been working on the various elements, and overall maturity assessment improved to a conservative estimated 85% as of September 2021 from a 74% score in 2019, with a total of 5/11 or 45.4% of the elements now with a score of 100%.

While there are still improvements required to meet the goal of “core level” of maturity, particularly in, levels of service and evaluation elements of the maturity framework, significant improvements have been achieved, as outlined below.

Systems

A key barrier for asset management previously, was the lack of up to date data within a centralised system and the manual requirements of accessing and utilising the data to make informed decisions. In October 2021, we implemented phase 2 of an enterprise wide system. This system incorporates the enterprise asset management, strategic asset management and the works management modules. The benefits of this new system include:

- A consolidated, integrated and fully centralised asset register for all asset classes
- A system with the required security and data integrity, that allows Council to make better decisions from improved asset data quality (completeness, accuracy and currency)
- A system that generates maintenance and renewal programs and produces associated cash flow forecasts, asset condition, risk and financial reporting capabilities

- Ability to capture works (including materials, labour and plant) and whole-of-life costings directly against asset
- Real time condition / defect data collection for some assets
- Real time reporting on asset performance and asset related financial indicators
- Ability to complete strategic asset management projections
- Capability to reduce asset accounting and reporting from months to days.

The system is reliant on accurate data which staff are gathering through in field verification over time.

Staffing

We have enhanced our team of asset planners and system specialists who lead the implementation of the Asset Management Framework to support the development and implementation of the new system and improve the delivery of asset management across the organisation, by:

- Providing additional staff to address the asset improvement issues identified in the audit
- Seconded a number of staff to support the successful development and deployment of the assets and works modules of the corporate system
- Trialling a centralised assets team
- Redefined roles to support new asset classes emanating out of the asset register.

The team work across the organisation, as other staff are also involved in the asset management value chain, from those who undertake planning, design and delivery of asset infrastructure to those who plan for and operate the services.

Risk Management

With such a large asset portfolio, there are various risks associated with the maintenance and delivery of assets to support the provision of services, including: financial, environmental, safety and reputation.

There are a number of strategic issues and trends that also need to be considered within the asset management environment, many being a result of the COVID_19 pandemic including:

- Increasing lifecycle costs – staff shortages, increased costs of goods and materials; and delay in supply chain
- Changing customer behaviour and patterns – increased usage of particular infrastructure such as open space and playgrounds; decreased usage of others such as parking; increased number of people working from home; and reduced service operations
- Continued financial pressure – the infrastructure levy ending in 2021/22; and the State Government infrastructure contributions reforms significantly reducing our ability to raise income for infrastructure from development
- Increased frequency of extreme weather events – particularly heat and flooding, impacting key assets such as open space and stormwater; and continued focus on reducing our environmental footprint
- Increasing customer expectations – for different or higher levels of service; and assets being the unseen element of the provision of services and facilities.

In addition to considering how the above strategic issues and trends impact asset management, we will have a risk focus through the following initiatives:

- Adapt and apply the *Risk Management Framework (Policy, Procedures and templates)* to the asset and service functions and produce asset profiles, criticality and risk registers for all key asset classes/categories
- Incorporating the risk management function into the strategic asset management module for all asset classes
- Integrating risk alongside level of service and cost as part of the future works programs
- Incorporate the requirements of climate change and resilience using available tools in a staged approach.

Risks associated with each asset class are detailed in the individual Asset Management Plans.

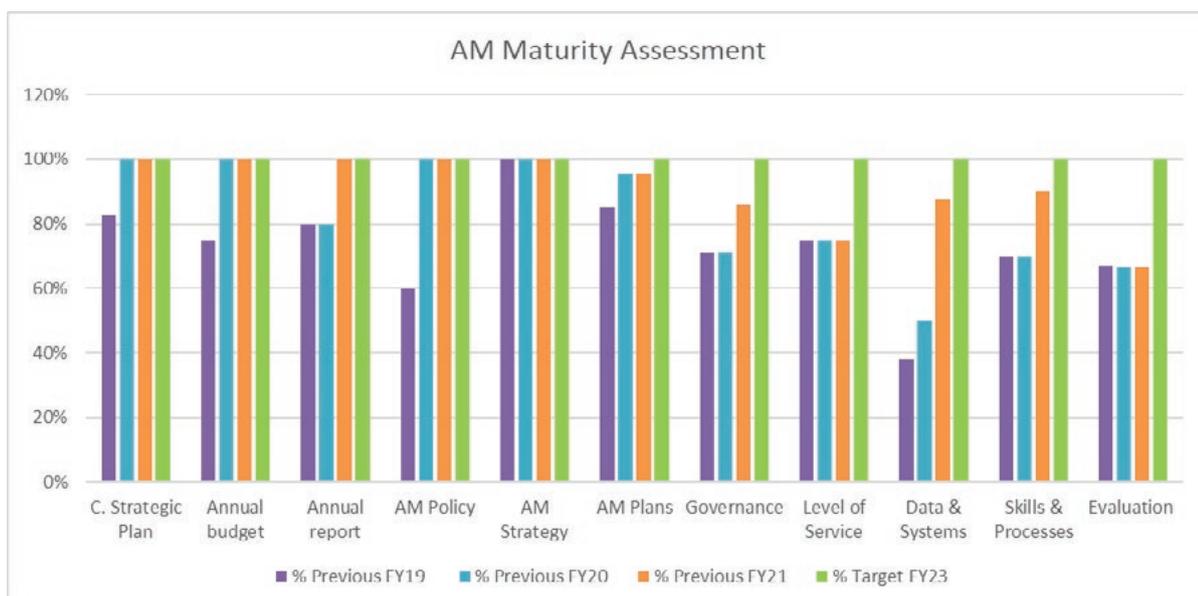
Future State - where we want to be

Our asset management goal

Our asset management goal is - *To achieve “core level” of asset management maturity by 2023 and “advanced level” in the longer term.*

Figure 10 below shows the historic and target levels of asset management maturity. The first five elements of the NAMAf are already at 100% and the Data & Systems element scored the biggest improvement with the rollout of the new system in 2021. A number of other improvements are still required to achieve the goal of “core level” of asset maturity, as outlined in the Improvement Plan in the following section.

Figure 10: Previous, current and target levels of asset management maturity



Improvement Plan

In order to achieve the asset management goal of *‘To achieve “core level” of asset management maturity by 2023 and “advanced level” in the longer term’*, we need to focus on the following elements of Asset Maturity scale: Asset Management Plans; Governance; Levels of Service; Data and systems; Skills and processes; and Evaluation.

Aligned to the four Asset Management Policy principles, the above elements will be addressed through the following high priorities over the next three years.

Accountability and Direction

- Revision of policies and procedures to support the improvements undertaken and planned for the future
- Revision of the Asset Management Plans to input updated data and improved definitions of service levels
- Assess current asset skills and capabilities and identify development program

Asset Information Management

- Undertake process improvements for condition rating; handover of assets, valuation methodology and capital investment decision making
- Update asset data hierarchy and reconcile asset and financial registers
- Increase asset monitoring and reporting program

Asset Lifecycle Management

- Review Asset Management Plans and associated financial programs
- Assess risk functionality, capacity and utilisation of all asset classes
- Review asset lifecycle obligations of shared assets

Service Management

- Update technical and community levels of services for all asset classes
- Improve monitoring, measurement and reporting of technical and community levels of service
- Prepare service plans for all asset classes
- Improve building utilities management.



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The Willoughby City Council *Resourcing Strategy* has been prepared in accordance with Integrated Planning and Reporting Framework requirements.

We acknowledge and thank all interested stakeholders for their contributions towards this plan.