

TAS AM GROUP - LG ACT REVIEW ACTIONS

8 FEBRUARY 2019 – 10:45am

MEANDER VALLEY COUNCIL OFFICES

Attendance: Randall Landon CoL, Rob Little MVC

Apologies: Martin Gill MVC, Elspeth Moroni CoH, Adam Wilson CHC, John Howard

Meeting outcomes and recommendations

General comment is there are no real issues of concern with section 70 asset management and section 85 audit panels of the LG Act 1993. Most suggested changes or additions reside with the Ministerial Orders for section 70(F) and no changes have been suggested for audit panels.

Comments and recommendations noted are purely from an asset management point of view and have not considered other areas considered in the review process, for example voting.

It was noted that the discussion paper from December 2018 on the review noted on page 15 an example that is pleasing to see (the long term cost of service provision), which is the recognition of the ongoing cost of service provision, not just upfront cost of an asset. If this can become part of the review outcomes and part of councils decision making considerations this will support good asset management practices for Tasmania.

Comments on the Local Government Act 1993

Division 2 Plans and Reports

Section 70B, 70C and 70D

Issues:

Requires Council to prepare an asset management policy, strategy and long term strategic asset management plan. It was noted that for finance the requirement under Section 70 and Section 70A is for only a long term financial plan and finance strategy, there is no requirement for financial policy.

Recommendation:

- Should the financial strategy and financial plan be incorporated into one document and should a financial policy be a requirement for council.
- Or alternatively, should the asset management strategy be incorporated into the Strategic asset management plan?

Section 70B

Issues:

Under orders for Section 70F(3)(d) requirements for assets specified that any class less than 5% of total asset value.

Recommendation:

- Replace the less than 5% total criteria asset value for asset management plans with Audit Panels to consider critical asset categories as a requirement for an asset management plan, eg flood protection scheme.
- Or consider excluding land value from the total asset value calculation which inflates the overall asset value.

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Content of Plans and Strategies – Orders 2014

Point 8(2) (i) to (viii) Asset Management Policy

Issues:

1. An important part of the success of asset management is an organisational approach not just technical requirement such as data collection and financial projections (but still are an important factor).
2. The orders note the promotions of sustainability but it is unclear if this is solely financial sustainability, but also consider service (as in asset renewal), economic, environmental or cultural factors.
3. Council in an effort to fund a new asset/service may look for opportunities to fund projects if a budget short fall exists or to limit debt. However, this can put a focus on the upfront cost of the asset and funding this through other means such as grants. The issue then becomes a potential risk of not considering the ongoing whole of life cost of these assets leading to assets/services that councils cannot afford to provide over the long term.

Recommendation:

- Include wording that supports a whole of organisation approach to asset management within an organisation.
- Offer guidance on the definition of sustainability, eg asset renewal, financial, economic, environmental or cultural.
- (viii) – consider whole of life costs associated with grant funding for new assets and include as a requirement for grant funding submissions, eg can the organisation demonstrate its ability to fund ongoing whole of life costs and that these long term costs have been considered by the organisation.

Point 5(3) Long-term Financial Management Plan

Issue:

The current wording includes renewal, upgrade and new. Many Tasmanian councils use NAMS.PLUS for the preparation of asset management plans, NAMS.PLUS identifies upgrade and new as one value, not two separate values in the NAMS templates.

Recommendation:

- Consider a wording change to become renewal and upgrade and new to reflect this. NAMS is being used worldwide and a change to the match Tasmanian legislation would be a difficult and slow process if at all possible.

Point 8(1) Asset Management Policy

Issue:

Whole of life costing definition is now referred to under standard definitions in ISO 55000 (asset management) as TOTEX (total OPEX and CAPEX) expenditure.

A major objective for councils is to make decisions on assets and service delivery, whether it's for new assets/services or not. Informed decision making including asset management principles is seen to be the key to the success for an organisation. This would allow for principles such as risk, depreciation, value (benefit less cost) and service levels to be considered along with whole of life costs.

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Recommendation:

- Recognise new definition from ISO 55000 and refer to whole of life cost as TOTEX.
- Include wording to support informed decision making including asset management principles.

Other issues noted but not recommended for the Act review, however can be seen as opportunities to improve asset management practices:

- Ribbon cutting for renewals. This moves the focus from purely new assets/services however this would require a change in organisation culture not just being prescribed within the orders.
- Promote whole of organisation approach to asset management throughout all areas of an organisation and not just technical staff.
- Consider not just assets but the ongoing services these assets provide. That is services will continue to be provided to the community long after the initial provision of the asset. The provision of the initial asset can be the focus for the organisation.
- Develop a simple whole of life (TOTEX) model(s) to support informed decision making for council on investing in assets/services.
- Develop a workable treatment of Council ownership of heritage listed assets or museum collections. Heritage buildings must be maintained in perpetuity and can never be replaced as such. They should be depreciated differently to the usual Council buildings and the depreciation put towards major maintenance activities to preserve the structure and not provide for its renewal. Similarly, heritage collections held by Councils are irreplaceable and if cared for they will appreciate, not depreciate as per accountancy treatment. Should there be a different treatment for this class of assets?

There may be an opportunity for LGAT and or IPWEA Tas Division continue to support LG in Tasmania in some of these areas.