

# Future of Local Government Review

## Final Report Recommendation

Mandatory Shared Services

Asset Management Expertise

Tasmanian Asset Management Group

Submission

Closing Date 29 February 2024

# Future of Local Government Review

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## Have your say on the FoLGR Final Report

The Tasmanian Government is inviting comments and submissions on the Final Report until 29 February 2024. Your feedback will help the Tasmanian Government decide whether to make the changes recommended by the independent Board.

There are two forms on this page:

The first form allows you to make a general submission on the recommendations in the Final Paper.

The second form addresses a number of specific issues of interest surrounding mandated shared services and rating and revenue reforms.

All questions are optional, you only need to answer any questions where you have a particular interest. It is also recommended you have the Report and recommendations open with you while you answer the questions.

You can also make a submission:

By mail to Local Government Reform, GPO Box 123, Hobart, Australia 7001

By email to [lg.consultation@dpac.tas.gov.au](mailto:lg.consultation@dpac.tas.gov.au)

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## Introduction

The final report of 'The Future of local government review' (FoLGR) was published in October 2023. As part of the report recommendations, three areas have been identified priority areas for mandatory shared services (MSS); sharing of key technical staff (eg EHO's, planners, engineering), common business and ICT systems, sharing of asset management (AM) expertise. Page 66

Specific details on asset management are detailed on pages 68 & 69 of the FoLGR report.

## Mandatory Shared Services – AM Expertise Workshop

The Office of Local Government held a workshop in 24 January 2024 regarding MSS - AM expertise to discuss and explore issues and details relating to AM with a number of asset managers from Local Government Authorities (LGAs) to help inform recommendations to the Minister on this matter.

This submission has captured a number of discussion points and issues discussed as part of this workshop as it was felt it is important to note these issues and perhaps help inform further discussion.

## Tasmanian Asset Management Group (TAMG)

For a numbers of years LG officers working in the field of AM have been meeting as a group to discuss and work on issues relating to AM. This group consists of officers from asset and financial backgrounds and is largely self-managed. The group currently has representatives from 24 councils and all LGAs are welcomed to be involved.

The aim of this group has been to grow knowledge, share information and work together to improve AM practice within the state. This group has been supported by LGAT, IPWEA Tas Division and Tasmanian Audit Office (TAO) and has called on other organisations that have expertise in the AM sector to provide guidance and training.

As AM expertise has been identified in the FoLGR final report as recommended for investigation into MSS and the possibility of creating a centralised council owned authority, the TAMG members have come together to provide feedback and input into a submission for the 29 February feedback deadline.

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## Submission Acknowledgement

The views in this submission are “generally supported” by the TAMG contributors, please note full consensus across all LGAs is not suggested in this document. With the differing levels of AM maturity and capacity within the state there will be varying support for views on some variations in the details and specific points across the sector.

## TAMG workshop for the FoLGR – AM Expertise

The TAMG held a meeting on 15 February to discuss the FoLGR and recommendations from the FoLGR final report recommendations, the Office of Local Government workshop discussion points, suggested MSS of AM expertise and the possible creation of a central council owned authority. This meeting was attended by approximately 20 officers.

The following details are a summary of the areas discussed at this meeting and were supported by the group.

## Success factors for AM within LG

Are noted as follows:

- There is support from the TAMG for delivery of some AM function from a central body by setting up different projects that are funded by state government. This could include:
  - Reviewing the range of useful lives.
  - Assessing grant funding.
  - Model for assessing whole of life impact/effect, consistently in financial reporting and data.
  - Training for both officer and councillors, as well as raising awareness of AM throughout LGAs.
  - Developing tools and templates in line with Tas requirements.
  - Delivery of maturity model assessments and consistent continuous improvement processes.
- There needs to be sufficient capacity within an organisation to deliver an appropriate level of AM practice, which is consistent and scaled to the size of each LGA.
- Focus must be on improving AM practice, not a focus solely on compliance.
- Support for secondment and sharing of skills across the sector, however not all councils currently have sufficient AM capacity that can support this.
- There is strong support to work together across the AM sector, freeing up resources is a major limiting factor.
- Clearly defining roles and responsibilities that focus on effective AM and support a consistent approach to the delivery of AM throughout LGAs. This would support and be supported by skill and knowledge sharing.
- A supportive and sector growth approach, not a big-stick approach.
- Leadership
  - Supportive not directive, State government has not delivered ongoing support of the sector but has been quick to identify perceived short comings.
  - There is a need for long term and continued top down and bottom-up approach to AM to ensure the sector can continue to improve our capabilities.

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- Use of AM maturity assessment process to guide improvement. Maturity assessment tools currently exist and would be a good starting point to review the current state of AM and to help inform the development of future AM improvement programs.
- Consider what is the purpose of compliance, compliance should work to build on improving the sector, not a focus on meeting a minimum standard.
- The current LG Act and Ministerial Orders are focused on delivering sustainable AM, however, there has been to some degree a decline in knowledge and awareness of appropriate practice in the delivery objectives of the Act and Orders. A focus on increasing knowledge and awareness of the application of the Act and Orders would provide a benefit to the sector.
- It is important to recognised that not all councils have the same level of resources and differing levels of maturity.
  - Some councils may be well resourced, but may not have a well-developed AM maturity.
  - Some councils may have lower levels of resources but have developed good levels of AM maturity.
  - Some councils may lack capacity to support AM activity, this is where AM sits on the side of someone desk and is not a core role (required to undertake other duties on top of AM).
  - There is varying levels of AM experience and understanding from management and elected members across LGAs
  - It should be recognised that asset management maturity is continuing to improve, and that Council's recognise the importance of asset management but also recognise that maturity takes time and to best serve the community the Council represents it also needs to be tailored accordingly.
- Depreciation and Useful lives, there is support in some areas for this to be delivered as a shared service model, where other councils feel they have developed a level of maturity in this area, as a result a shared service model does not provide any support or is just not needed.

### **Success Factors for a Shared Services Model**

- A model that focuses on building AM culture and ownership of AM with an LGA.
- A model that targets AM maturity and continuous improvement.
- A model that supports consistent approach across the sector (these tools currently exists and don't not require recreating).
- A model that removes duplication of effort.
- A model that focuses on standardisation, consistency for AM practice, reporting and Audit models/processes.
- A model that focuses on ongoing training to support increased knowledge in AM for both council officers and councillors.
- A model that supports ongoing development of AM practice within a LGA that supports both a top down and bottom-up approach.

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## Preferred Model Options

No specific detail has been provided on the model so these responses are based at a general level as it is difficult to provide specific feedback. Future discussion is welcomed to look at the details of proposed models when this detail is available.

- A solely central model is not supported in general. There is a risk this will lead to AM becoming a purely compliance exercise. There is a high chance this type of model may not provide a measurable long-term improvements to AM outcomes. The relationships between Asset Managers and elected members is essential for Council buy-in to asset management, it is difficult to see how this could be achieved with a central model.
- There is support for central delivery, or coordination of some areas of practice including, leadership and raising awareness of AM practices and the roll of AM, revaluations, useful lives, condition surveys, templates and tools, training, technical support and mentoring.
- There is support for a hub and spoke delivery model that supports secondment and skill sharing but developing capacity within the sector is required.
- There is support for regionally delivered model complemented by central delivery/coordination of areas of practice. If done well would provide the best overall outcome as expertise will exist within a LGA rather than delivered externally. However, sufficient time will be required to develop capacity and knowledge across the sector. Secondment and skill sharing will be necessary to support this in the short to medium term.

## Funding the growth and maturity of the sector

- Adequate funding of the AM service is needed.
- Utilise maturity assessment process to identify areas that require funding support (training, appropriate level of resourcing within the LGA, mentoring) and set an achievable continuous improvement plan based on this level of funding.
- Review and report on maturity assessment and improvement plan.
- Consider funding from State Government from fuel excise to fund the improvement of AM sector.
- Consider an approach akin to "Keystone", the building industry training body. This body is paid by the government and construction industry. They charge based on a percentage of building costs. A possible option for LG could be to look at grant funding. As an example, for grants that fund new or major asset upgrades, a percentage of this grant funding could go to fund AM training and support AM maturity growth.

## Risks

- AM cannot be delivered from outside an organisation.
- Asset documents must be owned by the organisation, asset documents prepared for an organisation will not provide a benefit and most likely not see light of day.
- Self-interest becomes focus over support of the sector as a whole. This may come from consultants looking to monopolise AM activities within the state, or not support appropriate practice in favour of providing favourable outcomes. AM must remain within an organisation and a model that allows a shift to AM being delivered to an LGA should be avoided if sustainable AM outcomes are to be achieved over the long term.

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### **Additional Detail for Consideration**

The following detail has been included for information and review as part of this submission.

These details were prepared by TAMG members who attended the Office of Local Government 24 January MSS – AM expertise workshop. These notes were compiled following this workshop and have been provided to TAMG for their information, comment and feedback. These details also informed the 15 February TAMG meeting discussions.

#### **The Role of AM within LG**

- Service delivery is a focal point for AM activities in LG.
- One little talked about issue for local government is the true cost of services and these costs are passed on to our communities. This is somewhat compounded by growing expectations for new and improved services. Grant funding can also lead to additional pressure from community groups.
- It is not common Local Government practice to have robust and completely informed conversations regarding the true cost to the community, rather this is experienced indirectly and after the fact through general rate rises, service rate increase and/or balancing/rationalising other services to compensate the pull upon funding.
- The aim of AM within LG is sustainable long term service delivery to our communities and optimal management of community assets.
- There is a need to continue to balance risk with cost and willingness/ability for the community to pay.

#### **Organisational Culture plays a large role in the success of AM within LG**

- AM is a multi-disciplinary area of practice, that incorporates all areas of a LGA from technical officers and engineering staff, project delivery, finance and accounting, works and field staff, community engagement and facility management officers, key decision makers including senior management and elected members.

#### **AM does not function effectively in isolation within an organisation.**

- AM requires a cohesive organisational approach. AM cannot be delivered from outside an organisation. However, some technical and strategic components such as asset revaluations or condition assessments amongst other examples, can be supported by independent expertise.
- AM cannot be effectively delivered from outside an organisation. Sole reliance on consultants to deliver effective AM for an organisation will tick a box for compliance but, in our experience, will not deliver long term sustainable AM outcomes for an organisation, in particular and organisational cultural shift that results in improving asset management maturity.
- AM cannot be delivered purely by consultants, however consultants and their expertise would be able to provide specialist support and resources in areas such as, asset valuations, assessment process for whole of life costs, risk based approaches, proactive asset inspection processes and resources, reporting frameworks, assessment of grant submissions and long term affordability, condition surveys, data capture and interpretation, formal engineering useful life assessment (based on a consistent statewide approach).



### **Lessons learnt from 2014 AM and Financial Reform Project**

#### **Details on the 2014 AM and Financial Reform Project (AM&FRP).**

- In 2014 a Federal Government Program was rolled out across Australia to improve AM and financial practices in LG. This project provided measurable improvements to AM and financial activities in LG, underpinned by a funded opportunity for Strategic Asset management maturity assessments that pointed to improvement programs. From this project Tas LG was seen as leading the way in the field of AM for a number of years. The success was attributed to our smaller size where LG which were able to quickly adopt change. The project brought attention and focus to AM activities, funding was provided for training and additional resources and there was high levels of support, overview and direction. However as there was no longer term ongoing program or resourcing, the industry knowledge and AM practice improvements were left to the discretion of individual LGA's in the state and not all LGA's progressed from this point.

#### **Raising Awareness of the AM Profession**

- The FoLGR recommendations maybe an opportunity to improve knowledge, better define the part that AM plays within LG.
- AM would benefit from greater recognition as a professional field of practice of its own (e.g. accounting).
- AM sector would benefit from support, increased understanding of AM principles and better definition of AM requirements for LG and the role this plays. State government support/mandating for the requirement for Elected member professional development in asset management principles would ensure that the decision makers crucial to asset management success have some guidance.
- Looking at other areas of practice - Accounting profession, has direction from accounting standards, supported by training and professional education, demonstrate a level of competence and has a level of oversight, reporting and review which has a focus on financial outcomes (a clear direction).
- Asset management is currently not a defined career and most Council's asset management practitioners come from either an engineering or accounting backgrounds resulting in specialised emphasis towards one asset management aspect over another. For asset management to be most effective long into the future this gap should be acknowledged and considered as a pathway in tertiary education programs.

#### **Training Requirements**

- Consistent and targeted training programs for all staff and Councillors that address Tas LG requirements would improve AM practices, consistency, accuracy and confidence in AM outcomes and build a strong whole of organisation approach to AM.
- Elected member awareness and training is critical and is strongly supported within the sector (even mandatory sessions on basic asset management would be beneficial and assist in decision making).
- There are providers that have capacity to develop specific AM training based on Tas LG Act requirements. IPWEA has delivered a tailored AM training and implementation project for Canadian LGAs and also supported the 2014 AM&FRP in partnership with LGAT. NB - Many Tas councils use the NAMS suite of templates / framework provided through IPWEA.

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## Growing AM Capabilities

### Resource capacity

Several areas have been identified in the FoLGR that would benefit from a shared service arrangement:

- Agree, AM cannot be left to individuals to be effective over the long term,
- Agree, some functions could be supported, strategic advice (including AM maturity assessments to drive AM improvement plans), valuations, condition surveys, training, document templates and tools.
- Noted, AM tools and templates already exist within the industry and are readily available. Lack of knowledge and familiarity with these systems may be the main constraint here (LGAT in partnership with IPWEA have developed as part of the 2014 AM & Finance Reform project).
- There is an opportunity to add to the existing tools, templates and resources by funding development of service level documents, community engagement tools (around trade-offs of risk, cost and performance etc.) that will aid improved AM practice for all LGA's.
- Agree, there is a need for a consistent approach based on a focus of continuous improvement.

### Local Government Act and Ministerial Orders

- The intent of the LG Act requirements for AM is for sustainable long term service delivery. The Act supports and guides good AM practice.
- The Act and Orders are seen by some LGAs as onerous, but this may be due in part to a lack of ongoing support, training and awareness at all levels within LGAs. A lack of understanding of the merit and benefits of AM can result in a low appetite from an organisation to fully implement these requirements.
- Some LGAs have built processes and systems to support the Ministerial Orders. In these organisations, day to day operation of the LGA is based around the LG Act areas.
- Ongoing support of sector knowledge and awareness of the Act is needed as roles and people change within LG. Loss of corporate knowledge can lead to people looking elsewhere for information and may not realise this information is readily available.
- Are there areas that can be simplified or reduce demand on resources?
- Can a Continuous Improvement Program/Process be a focus for areas of non-compliance rather than what at times is seen as doing nothing or don't know where to start approach?
- What will promote good AM practice and would any areas of change help facilitate this.
- The Act needs updating to remove duplication of statutory documents, and align with contemporary asset management practices, reports, registers and community engagements.
- It must be candidly and without bias, queried whether simplifying the LG Act and Ministerial Order requirements enables the intent of improved AM practice or simply improves compliance; on face value the latter appears most likely.

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## Clarification of AM Role/Requirements

- AM is a multi-disciplinary area of practice, that incorporates all areas of a LGA from technical officers and engineering staff, project delivery, finance and accounting, works and field staff, community engagement and facility management officers, key decision makers including senior management and elected members.
- AM organisational culture is often facilitated and enabled by a dedicated facilitator/collaboration role, which will usually sit with GIS, finance, Engineering, technical officer or can be of part of other duties that is not a core function of that role. The crucial element of this role is the facilitation and collaboration with others within the organisation, including elected members.
- An outcome from the 2014 AM&FRP, part of the improvements gained during this project was raising awareness of AM and providing direction on AM actions and activities, especially at senior management levels. The higher performing Councils in Asset Management practice have since taken this approach to engagement with their elected members to great effect (e.g. WWC).

## Sector capacity and limitations:

- There is limited capacity in the sector and difficult to attract resources with existing industry knowledge and expertise.
- Skills shortage will mean there will be limited in the ability to increase sector capacity.
- There are ever more demands on AM officers and increasing complexity in information, accounting standards and audit requirements. A focus on streamlined processes that reduce officer time would be supported and would allow for time to dedicated to continuous improvement programs and improving AM outcomes.
- Perhaps by LGAT with State government funding, IPWEA and other bodies support promoting a career pathway, a career in AM specialisation can be better promoted. It would be informative to test if those who aren't currently operating with the LG environment are aware of AM career opportunities to the extent that they may be for complimentary professions such as Engineering, Accounting, finance etc.

## Asset Useful Lives

- A range table of useful lives would be an easy win but may only serve as a baseline to ensure compliance where detailed investigation of useful lives has not been resourced.
- As noted in Table 5 in the Report of the Auditor-General No. 5 of 2013-14, Estimate of Useful Life, this report notes that LGAs would be required to provide evidence of any useful lives that sit outside these ranges. However, this may favour LGAs that have budget and resources to undertake this type of research and reporting, state funding to assist mature financial and asset management practices may remove the resourcing impost for smaller councils. [Council's make discretionary resourcing allocations every financial year, this is similar – the key to balanced resource allocation is education and the understanding held by elected members].
- The aim of Useful Lives is to reflect what is effectively happening on the ground, specific work practices of the LGA, the service level that is seen to be appropriate or even just affordable within current budgets or community affordability. One service level may not be comparable with another or even neighbouring LGA.

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- There is too much focus on standardising lives. There needs to be more focus on the assessment of the asset remaining useful life, using condition assessment or based on asset upgrade demand (refurbishment). If done correctly, roads and building lives are changing every 3 years to capture movement in condition, demand influences or change in strategic direction (community). Setting a range for the overall asset average useful life is one part, assessing sound methodology applied to the modelling of the asset remaining useful life is of greater importance.

### Depreciation of Council Assets

- Depreciation is a measure of the economic consumption of the asset and its service potential. It is used to fairly and equitably spread the cost of the consumption of the asset service potential out over the life of the asset, not just current but also future users receiving the service (i.e. "inter-generational equity").
- Depreciation is a major component of an LGA's annual operational budget and is a cost that is passed on to the community through rates.
- The FoLGR report notes that LGAs are avoiding depreciation and therefore could be seen as not financially sustainable or providing suitable services to the community.
- The FoLGR report notes that *"...Anecdotally, we heard across the sector that many councils are arbitrarily extending the useful lives as a budget management tool, as it reduces the depreciation cost incurred."* The report prepared by John Howard, states: -

### Future Research

Areas for consideration of **further research to improve information for the Board** for the Future of Local Government Review are shown below:

1. **Review information used to justify useful lives for building, roads and drainage assets** for a sample of 10% - 20% of councils with long calculated average useful lives.
  - 2. Review asset management practices for road surface and pavement components with a sample of councils to assess whether asset management practices and accounting treatments are in alignment including:
    - a. Sealed road surfaces to compare council's useful lives of flush and asphalt sealed surfaces with percentage length of flush and asphalt surfaces resurfaced in last three years
    - b. Sealed pavement renewal plans, including recognition of components, documentation of renewal strategies, renewal programs, forecast renewal expenditures and available budget funding in asset management plans, current maintenance and renewal practices and accounting recognition for valuation and useful lives.
  - 
  - 3. Discuss with the Tasmanian Audit Office opportunities to improve financial management and reporting including:
    - a. Auditing of long-term financial management plans and alignment with long-term strategic asset management plan
    - b. Review of information used to justify useful lives.
    - c. Review of valuation practices for use of condition and other factor based valuation methodology.
- Depreciation is a measure of overall average asset consumption and not a guide of annual renewals in any particular year. A disconnect can exist between annual depreciation expense and annual asset renewal funding in any single financial year

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period where an Asset Sustainability financial ratio is used as a target, roads, stormwater and building assets have very long lives (50+).

- Renewal plans set out in an asset management plans in another key measure. Asset renewals need to be fully funded as measured by the Asset Renewal Funding Ratio, this is a better financial measure of adequate renewal funding. This Asset Renewal Funding Ratio is a more important measure of financial sustainability than the Asset Sustainability financial ratio.
- Depreciation is simply a function of the asset date created along with the remaining useful life, with adjustments made to the asset written down value and carrying value. If there is a bad weather event (flood) which leads to accelerated deterioration, this is picked up with remaining useful life adjustments and in turn increases the annual depreciation to set aside funds for early renewal requirements.

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### **Mandatory Shared Service (MSS) – AM Expertise Structure**

To allow answers to this question to be fully informed, there needs to be a clear understanding of what roles, responsibilities and structure being considered for the MSS – AM expertise. Until this can be better understood, comments below address a wide and diverse range of discussion areas.

#### **Centrally Located Option**

Pro

- Would support high level guidance, consistency and standardisation.
- Provide high level functions – valuations, condition survey, accounting standard guidance, maturity assessment, templates, training, technical support, monitoring.
- Enhanced collaboration among different departments.
- Allow for the concentration of specialised expertise. This can result in a more skilled and knowledgeable team dedicated to managing assets effectively.

Con

- A central approach would not provide effective outcomes for LG in AM that improve organisational capacity (i.e. just compliance or transactional task completion). Must remain part of Council activity and function to become effectively embedded in the culture of the organisation.
- Lack of localised knowledge.
- May face resistance to change.
- Risk of bureaucracy.
- Single point of failure.
- Lose flexibility.
- Would be difficult to get buy-in from elected members for funding asset renewals, this takes a lot of work and a close relationship with elected members. A centrally located option may not support or effectively enable this to occur.

#### **Hub and Spoke Option**

Pro

- Need extra capacity to free up resources to provide assistance to others.
- Would provide greater benefit and AM outcomes for an organisation by leveraging input from existing experts and practitioners operating in the LG sector.
- Would be an acceptable trade-off for sharing skills, leadership and expertise without sacrificing building organisational AM culture.
- Would be able to identify organisational need.
- Decentralized decision-making.
- Localised knowledge and customization.
- Flexibility and adaptability.
- Community engagement.
- Redundancy and risk mitigation.

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### Con

- Would lack consistent approach across the state without additional support and/or guidance.
- Potential for inefficiency.
- Communication challenges.
- Difficulty in Standardizations.
- Resource Allocation Challenges.
- Complex Governance Structure.

Hub and Spoke - Huon Valley Council's preferred model should any FoLGR change be considered.

### **Regional Delivery Option – Self managed resource sharing**

#### Pro

- If done well would provide the best overall outcome for the community if skilled and experienced AM practitioners remain scarce.
- Resource Optimization.
- Collaboration and knowledge sharing.
- Economics of Scales.
- Enhanced Expertise.
- Increased Flexibility.

#### Con

- Would lack consistent approach across the state.
- Could become influenced by internal demands and functions [This might apply universally to all models].
- Would require the development and maintenance of good AM culture within the organisation - over the long term [A universal requirement, not unique to this model]
- Resource constraints [A reflection of early organisational AM maturity and the importance of resourcing this competency; held in good faith that the concern dissipates as AM organisation maturity improves, again may apply universally – an AM organisation maturity-based concern not an AM model of delivery concern].
- Coordination Challenges.
- Varying Priorities.
- Dependency Risks.
- Governance and Accountability issues.
- Local Autonomy Concerns.

### **What support is needed to determine a preferred model?**

There is uncertainty about TAMG's preference for the shared structures mentioned above. Perhaps the state government could conduct a straightforward survey across all Councils to gather input. There is a preference for the third option – self-managed resource sharing – rather than establishing a centralized organization at this stage. However, implementing self-managed resource sharing would require resourcing support to address certain challenges associated with this model.



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A clear outline and definition of the MSS – AM expertise and the structure and objectives of a central council owned authority (or options under consideration) to be implemented needs to be defined to allow an informed discussion. As an example required resources or example council roles and responsibilities structures would assist in informing this discussion.

As seen in discussion points above, AM can be an intricate part of an organisation.

### **Resources required to assist self-managed resource sharing option**

- IPWEA Strategic AM maturity assessment was undertaken as part of the 2014 AM&FRP. This informed and identified areas of improvement for LGAs to achieve core or advanced level of maturity in Strategic AM and financial management practices and inform improvement planning and resourcing. It would be beneficial if the state government could support/fund this maturity assessment to be done by experienced consultants that was recommended by the LGAT/Tasmania Asset Group when a Council is developing its SAMP to remain independent from the organisation.
- IPWEA have a strong focus on improving AM practices and assisted with the delivery of maturity assessments, providing specific AM training, tools and resources for AM and asset financial practices, either through IPWEA Tasmanian Division or Australasia. It would be beneficial if the state government could support/fund making it compulsory for all the Councils in Tasmania to use standard NAMS.PLUS templates for SAMP, and all the key asset staff would have to participate in IPWEA Asset Management Pathway training that is provided by IPWEA Australasia. Also, it would be less confusing to combine SAMP with Asset Management Strategy under the new Local Government Act.
- LGAT have and continue to support AM practice within the state. They have industry knowledge and a focus on improving LG capacity. It would be beneficial if the state government could support/fund LGAT and Tas Asset Management Group to set up a local government asset management staff resource pool to record the relevant skill set for resource sharing if required.
- There are a number of individuals who have strong ties in the field of AM and extensive experience in AM and developing coordinated approaches to AM delivery and training. TAMG would welcome discussion in this space.
- It would be beneficial if the sector can set up/fund a project to use consultants to develop the range of useful life and unit rates for the assets of the major asset classes in Tasmania for all the Councils and this will be used by TAO as a reference.
- TAO provide assistance and advice with financial, audit and reporting matters, but care must be taken to remain independent. It would be beneficial if the state government can support/fund LGAT/TAMG to approach the TAO for training in the relevant asset accounting standards when required.
- There are some providers that must be treated with care as they may look to benefit their own interest over raising the capabilities of AM within the state.
- New Zealand is a good example of good long-term delivery of AM practices. There are lessons to be learnt from NZ and their approach to AM. Discussions with asset officers in NZ a number of years ago noted that useful lives and community consultation were challenging and a area of focus, it is not clear if this is still the case in recent times.



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### Reform Recommendation Feedback

**Recommendation 10** - *Give councils the opportunity to design identified shared service arrangements themselves, with a model only being imposed if councils cannot reach consensus.*

#### Response

- This would be welcomed, a clear understanding of direction and outcomes needs to be established to guide this process.
- Consideration of using LGAT or elected Local Government Board as a body to review and assist Councils with developing shared service arrangements that benefit all parties in any shared service agreements.

**Recommendation 11** - *Before endorsing a particular mandatory shared service arrangement, the Minister for Local Government should seek the advice of the Local Government Board.*

#### Response

- A structure that promotes a purely compliance with minimum standards should be avoided, AM needs to part of the culture within an organisation from top to bottom.

**Recommendation 12** - *If councils are unable to reach consensus on a mandatory service sharing agreement, the Minister for Local Government should have the power to require councils to participate in a specific model or models the Tasmanian Government has developed.*

#### Response

- Care needs to be taken on how the specific model or models are developed, if the model moves in the direction of consultants delivering AM to or for an organisation, AM will not be effective or provide the best outcome for the community over the long term.

**Recommendation 13** - *The first priorities for developing mandatory shared service arrangements should be:*

- *sharing of key technical staff;*
- *sharing of common digital business systems and ICT infrastructure; and*
- *sharing of asset management expertise through a centralised, council-owned authority.*

#### Response

- This seems a little extreme to look at AM as a first priority, but welcome the focus on the sector, perhaps raising awareness of AM will assist with moving the sector forward.
- In asset management sector within Tasmania there is a limitation on key technical staff that may be able to be shared with other councils. Caution is recommended on forcing this approach as it may have unforeseen repercussions on Councils ability to provide effective asset management.
- There is no single asset management software (AMS) system that is proven to deliver the asset management required elements. Many Councils use an AMS that has links between multiple business systems so forcing Councils to adopt and implement new AMS and other business systems would be a financial liability in itself to this being adopted.

## Future of Local Government Review

**Recommendation 16** - *The Tasmanian Government and the local government sector should jointly develop and implement a contemporary, best practice learning and ongoing professional development framework for elected members. As part of this framework, under a new Local Government Act:*

- *all elected members – including both new and returning councillors – should be required to complete a prescribed ‘core’ learning and development program within the first 12 months of being elected; and*
- *councils should be required to prepare, at the beginning of each new term, an elected member learning and capability development plan to support the broader ongoing professional development*

### Response

- Ongoing training and professional development is welcomed.
- Asset management has at board level been neglected for a long period of time and its important that elected representatives understand the asset management process and in particular how it relates to adoption of new and upgraded assets they may aspire their community to be provided. Costs go well beyond the construction cost and should include as a minimum the operational expenditure likely to be expected over the life of the asset being adopted.
- Any such development program should be endorsed by IPWEA if not developed by them and not solely focussed on individual councils own plan.

**Recommendation 25** - *The Tasmanian Government should develop a clear and consistent set of guidelines for the collection, recording, and publication of datasets that underpin the new performance reporting system to improve overall data consistency and integrity, and prescribe data methodologies and protocols via a Ministerial Order or similar mechanism.*

### Response

- Standard processes and reporting are welcomed, however ever-increasing demands for data, information and reporting processes limiting time that could be used to focus on process development and growing AM capabilities. The level of detail required and the demand of recourses to produce this information needs to be considered and balanced. Development of standard processes and guidelines in consultation with councils is encouraged to ensure they will applied consistently and adopted by all LGAs.
- Whilst this may seem a simple task the cost for Councils to alter and update any existing data sets could be significant as not all Councils have the ability to capture accurate data from survey grade data or the resources to update. Most AMS currently define specific data attributes to be populated so this may already be occurring.

## Future of Local Government Review

**Recommendation 26** - *The new Strategic Planning and Reporting Framework should actively inform and drive education, compliance, and regulatory enforcement activities for the sector, and entities with responsibility for compliance monitoring and management – including the Office of Local Government and council audit panels – should be properly empowered and resourced to effectively deliver their roles.*

*As part of this the Tasmanian Government should consider introducing a requirement for councils to have an internal audit function given their responsibilities for managing significant public assets and resources, and whether this requirement needs to be legislated or otherwise mandated. Consideration should also be given to resourcing internal audit via service sharing or pooling arrangements, particularly for smaller councils.*

### Response

- Review and oversight is an important consideration, additional demand resulting from the audit process can impact an organisations capabilities and capacity, which may lead to other areas receiving less focus.
- Internal audits may have the potential to be imbalanced and provide a favourable outcome. Consideration of regular routine audits (3-5 year period) by a body consisting of current Local Government representatives to review asset management practices and level of maturity and provide constructive feedback to ensure asset management is correctly being administered.

**Recommendation 30** - *The Tasmanian Government – in consultation with the sector – should review the current legislative requirements on councils for strategic financial and asset management planning documentation to simplify and streamline the requirements and support more consistent and transparent compliance.*

### Response

- The focus of the current legislation and intent of the AM requirements in the Act focus on long term sustainability which is one of the key focal areas for AM. One area that should be considered as part of any review is the additional demand of officer time and ever-increasing levels of detail and information needs to be assessed in terms of value verses effort required.

## Future of Local Government Review

**Recommendation 31** - *The Tasmanian Government – in consultation with the sector – should investigate the viability of, and seek to implement wherever possible, standardised useful asset life ranges for all major asset classes.*

### Response

- Useful lives is noted as one of the key issues in the reform project report for AM. This is a complex area and may require specific and technical discussion along with input from finance as well as AM officers. Yes, this could be seen to tick a box and would provide simple information for valuations and asset reporting. Asset renewal expenditure documented in current asset management plans is another measure of financial sustainability and longer delivery of services to the community.
- Standardisation of useful lives in Tasmania should be a consideration for adoption with a scale allowing adjustment where appropriate so long as the Council can demonstrate the reason for changes. IPWEA currently provides this but most are not relevant to Tasmanian factors.
- Useful lives will vary as technological industry advancements occur and it would be prudent to allow Councils to vary any useful lives they may deem to be either extended or reduced based upon these advancements and any other important factors that may be applicable to the region so long as the Council can demonstrate the reason for changes.
- A useful life assessment process has been developed for use in LGAs. This process is recognised as AM best practice and is published in infrastructure and financial management manuals. This process calls on the knowledge and expertise of the organisation, does require relative accurate asset data.
- In some cases councils have turned to engineering based assessment to determine asset useful lives. These assessments include consideration of traffic volumes and loading, pavement design assessment process, assessment of pavement thickness and material, materials testing, strength and deflection testing.

### **General Support of this Submission**

Please note - views in this submission are "generally supported" by the TAMG contributors, please note full consensus across all LGA's is not suggested in this document.

With the differing levels of AM maturity and capacity within the state there will be some departures to some of the details and specific points across the sector.

# Future of Local Government Review

## Attachment 1 – Additional Commentary

Asset Management				
Stages	AM Component	Deliverables	Goal	Comments
1	Data Management	Asset structure, methodology, integrated AM software, GIS, data reporting detail	Disciplined and controlled management of the asset register, with good confidence in data.	Current Tasmanian AM codes of practice in place could be updated and level of detail improved. IPWEA provides guideline documents only. This could be further standardised and mandated for consistency? Common ICT systems fully integrated across all Council departments is the key to achieving complete data & finance management, however difficult to achieve this if departments are using different software (AM, works, finance, engineering, etc). This is a massive undertaking and difficult to see a solution that can be scaled to suit all size and capabilities of the Council's around the state.
2	Organisational Culture	All areas of the organisation engaged in AM, leading with Management level, Councillors, Works, Community & Economic Services, Finance Departments	Common systems & transparency between areas, along with consistent reporting to Management	This needs to be driven through Management, although not an easy task and is ongoing with key staff changeover. Staff time needs to be allocated to collaborating across departments, AM cannot be seen as something that is 'done off the side of the desk'. Difficult for an outside entity/ individual to influence this.
3	Service Levels	Community engagement, environmental considerations, organisational scale/capability, renewal intervention levels, annual OPEX vs CAPEX, data modelling, define balance between projections & programmed to determine the gap	The AM tool used to tune an organisation to achieve optimum deliverables based on the focus (strategic goals) of the organisation and community it serves.	This is pulled together using local knowledge from Engineering, Community and Works Dept, all need to be applying in practice what is documented to actually achieve desired service delivery. This is the annual budget process with balancing needs against wants.
4	Sustainability	Satisfy desired technical and community outputs.	Reporting demonstrates informed and strategic decision making.	Sustainability achieved with all other stages satisfied.