


BRIEFING NOTE FOR NOTING

SUBJECT Auditor-General's confidential draft Report to Parliament – *Improving asset management in local government* (the draft report)

<p>Note: This brief is considered draft until signed.</p> <p><input checked="" type="checkbox"/> Approved</p> <p><input type="checkbox"/> Not approved</p> <p><input type="checkbox"/> Noted</p> <p><input type="checkbox"/> Further information required (see comments)</p>	<p>Signed..  Date...17/07/2023.....</p> <p>Hon. Steven Miles MP, Deputy Premier, Minister for State Development, Infrastructure, Local Government and Planning Minister Assisting the Premier on Olympic and Paralympic Games Infrastructure</p> <p>Comments:</p>
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ACTION REQUIRED BY 17 July 2023, to meet response timeframes requested by the Auditor-General.

RECOMMENDATION

It is recommended that you:

- **note** the key findings of the draft report, including the four recommendations directed at the Department of State Development, Infrastructure, Local Government, and Planning (the department) and five recommendations directed at councils.
- **note** following your endorsement of this brief, the Director-General of the department will write to Mr Brendan Worrall, Auditor-General, Queensland Audit Office (QAO), providing the department's response by the requested date of **17 July 2023 (Attachment 1a and 1b)**.
- **note** the department's response will be included in the Auditor-General's final report which is due to be tabled in Parliament during the July sitting.
- **note** once the final report has been tabled in Parliament, the department will provide a separate briefing on the findings of the report and analysis of impacts on the local government sector.

BACKGROUND

- The Auditor-General provided you with a copy of the draft report, noting it has not been released publicly. The *Auditor-General Act 2009* imposes a confidentiality requirement on the recipient of a draft report until the final report is tabled in Parliament.
- The Auditor-General also provided the department with a copy of the draft report for consideration and comment by 17 July 2023. All councils have also received the draft report.
- The objective of this performance audit was to examine the effectiveness of councils' asset management practices to maximise services to the community while minimising the total cost of owning these assets. The audit was conducted on the following five councils:
 - Cairns Regional Council
 - Central Highlands Regional Council
 - Ipswich City Council
 - Mareeba Shire Council
 - Murweh Shire Council.

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- The audit assessed whether these councils:
 - capture and maintain asset information to support effective asset management
 - integrate their asset management with service planning, supported by appropriate systems, controls, and practices
 - access guidance and training to improve their asset management approaches.
- The QAO also sent a self-assessed asset management maturity questionnaire to all 77 councils containing 28 questions about their asset management frameworks, of which 52 councils responded.

KEY ISSUES

Key findings

- The draft report notes several key issues related to council asset management, sustainability, governance, and capability, including:

Gaps in asset management practices

- The QAO highlighted that only 9.6 per cent of councils participating in the survey has self-assessed their average asset management maturity level at or above the minimum requirements of the internationally recognised standard for asset management.
- Although Southeast Queensland (SEQ) and resources councils performed better on average than the other council segments, they still underperformed the minimum expected standards in all but one of the 10 elements of asset management. All other council segments underperformed the minimum international standard in all elements.
- The draft report highlighted outcomes and value realisation as the least developed asset management element across the sector, with councils not adequately setting, monitoring, and reporting service delivery targets to measure performance and inform investment decision-making.

Greater support needed to build asset management capability

- The draft report recommends that the department provides more and better tailored support for asset management in the sector across a range of areas to build council capability to the international minimum standard.
- Although Queensland compares favourably to many Australian jurisdictions in the guidance given the councils on asset management, the department does not currently produce detailed guidelines and/or handbooks to support council asset management.
- The QAO acknowledged the objectives of the department's Advancing Asset Management project (the project) which commenced in early 2023 and will address many of the recommendations in the draft report. The department will provide a separate briefing about the anticipated outcomes and current status of the project.

Draft report recommendations

- The Auditor-General has made nine recommendations in the draft report, with five relating to councils and four for the department (**Attachment 2**).

Recommendations for councils

- **Recommendation 1:** Assessing whether their governance structures and culture ensure a whole-of-council (finance, asset, and service teams) approach to asset management, including planning, operating and maintaining, disposing and monitoring performance of assets.
- **Recommendation 2:** Assessing whether their asset management plans are current and cover all major asset classes, including if:

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- the data is consistent with the data in the long-term financial forecast and is based on the same assumptions
 - the data needs to be updated because significant changes have reduced its accuracy
 - the key performance measures accurately measure whether the council's assets are effectively delivering services aligned with the goals in the corporate plan.
- **Recommendation 3:** Assessing whether their data, if stored in separate asset management information systems, is recorded in a way that can be and is reconciled to the financial asset register.
 - **Recommendation 4:** Assessing whether their workforce plans and/or strategies identify the necessary asset management capabilities and the optional and mandatory training to be completed.
 - **Recommendation 5:** Providing their assessments and associated action plans to address any of the above recommendations, where relevant, to their audit and risk committees to allow for regular progress reporting.
 - The department supports these recommendations for councils and will write to each council to emphasise the importance of implementing them.

Recommendations for the department

- **Recommendation 6:** Developing a documented compliance strategy to monitor councils' asset management approaches to meet the asset sustainability ratios.
 - The department supports this recommendation and will address it through the Advancing Asset Management project currently underway as well as the Sustainability Framework.
- **Recommendation 7:** In assessing grant applications for infrastructure projects, analysing asset management plans to determine whether proposed projects are based on complete and accurate information, aligned to councils' long-term sustainability.
 - The department supports this recommendation in principle and will investigate approaches to address it noting the deficiencies identified by the QAO in its draft report with the quality of asset information, particularly in smaller councils which have the greatest funding need as well as largest capability challenges.
 - The department will engage with the sector and its stakeholders on this matter through its Advancing Asset Management project currently underway.
- **Recommendation 8:** Working with local governments to enhance asset management capability by:
 - identifying the key capabilities needed by asset managers
 - assessing current asset management capability gaps across councils
 - developing strategies to help asset managers improve their capabilities through training and/or mentoring
 - providing periodic training to councillors and senior leadership teams focusing on asset leadership and governance
 - evaluating the results.
 - The department supports this recommendation, and it is currently addressing it through its Advancing Asset Management project currently underway.
 - The department also notes that there are other stakeholders such as the Institute of Public Works Engineering Australasia (IPWEA) that may be better placed, or already provide training and mentoring to the sector on these issues. The department will engage with IPWEA and other stakeholders to investigate opportunities to further support this recommendation.
 - The department is currently undertaking preparations for the 2024 quadrennial local government elections and councillor induction program. Asset management has been identified as a key content area for training for incoming councillors.

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- **Recommendation 9:** Developing comprehensive better practice guidance for local government on the minimum requirements and templates for the following key asset management documents:
 - asset management policy
 - long-term asset management plan
 - asset management plans (for individual asset classes).
- The department supports this recommendation and notes that there are other stakeholders such as IPWEA that may be better placed, or already provide guidance to the sector on these issues. The department will engage with IPWEA and other stakeholders to investigate opportunities to further support this recommendation.

RESULTS OF CONSULTATION

- Nil

RESOURCE/FINANCIAL IMPLICATIONS

- There are no resource (e.g. staffing) or financial implications associated with this briefing note.

Author Name: Mark Snow Position: Principal Advisor Unit: Governance and Capability Tel/Mob No: 3452 6719 Date: 23 June 2023	Approved by Director Name: Louisa Lynch Position: Director Branch: Governance and Capability Tel/Mob No: Sch. 4(4)(6) - Disclosing personal information Date: 27 June 2023	Approved by DDG Name: Josh Hannan Position: DDG LGD Division: Local Government Tel/Mob No: Sch. 4(4)(6) - Disclosing personal information Date: 12 July 2023
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- **Note: This brief is considered draft until signed.**



Our ref: MC23/3239

17 July 2023

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
QAO.Mail@qao.qld.gov.au

Department of
**State Development, Infrastructure,
Local Government and Planning**

Dear Mr Worrall

Thank you for your email of 21 June 2023 regarding the Draft Report to Parliament, *Improving Asset Management in Local Government* (the draft report). I note you also emailed the Honourable Steven Miles MP, Deputy Premier, Minister for State Development, Infrastructure, Local Government and Planning and Minister Assisting the Premier on Olympic and Paralympic Games Infrastructure.

Thank you for providing the Department of State Development, Infrastructure, Local Government and Planning (the department) with an opportunity to review the draft report. The department supports the draft recommendations made to councils and will assist councils to better plan for, and sustainably manage, the breadth of assets they administer, which provide much-valued services to Queensland communities. I intend to write to each council to emphasise the importance of implementing these recommendations.

The department also appreciates the recognition that council asset management must be fit-for-purpose for the communities they serve and it will continue to work with the sector through the Advancing Asset Management project (AAM project) currently underway, as well as its existing programs, to support councils in strengthening their capability in this area.

With regards to your recommendations to the department, I provide the following comments in addition to the completed recommendation table enclosed:

Recommendation 6: *Developing a documented compliance strategy to monitor councils' asset management approaches to meet the asset sustainability ratios.*

The department supports this recommendation and it will address it through the AAM project currently underway.

Recommendation 7: *In assessing grant applications for infrastructure projects, analysing asset management plans to determine whether proposed projects are based on complete and accurate information, aligned to councils' long-term sustainability.*

The department supports this recommendation in principle and will investigate approaches to address it taking into consideration the deficiencies identified in the draft report with the current quality of asset information in the sector, particularly in smaller councils which have the greatest funding needs as well as the largest capability challenges.

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The department will engage with the sector and its stakeholders on this matter through the AAM project.

Recommendation 8: *Working with local governments to enhance asset management capability by:*

- *identifying the key capabilities needed by asset managers*
- *assessing current asset management capability gaps across councils*
- *developing strategies to help asset managers improve their capabilities through training and/or mentoring*
- *providing periodic training to councillors and senior leadership teams focusing on asset leadership and governance*
- *evaluating the results.*

The department supports this recommendation and is currently addressing it through the AAM project.

The department also notes that there are other stakeholders such as the Institute of Public Works Engineering Australasia (IPWEA) that may be better placed, or already provide training and mentoring to the sector on these issues. The department will engage with IPWEA and other stakeholders to investigate opportunities to further support this recommendation.

The department is currently undertaking preparations for the 2024 quadrennial local government elections and councillor induction program. Asset management has been identified as a key content area for training for incoming councillors.

Recommendation 9: *Developing comprehensive better practice guidance for local government on the minimum requirements and templates for the following key asset management documents:*

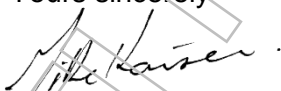
- *asset management policy*
- *long-term asset management plan*
- *asset management plans (for individual asset classes).*

The department supports this recommendation and notes that there are other stakeholders such as IPWEA that may be better placed, or already provide guidance to the sector on these issues.

The department will engage with IPWEA and other stakeholders to investigate opportunities to further support this recommendation through the AAM project.

If you require any further information, please contact me or Mr Stephen Robbins, Executive Director, Finance, Performance and Programs, Local Government Division in the department by telephone on (07) 3452 7133 or by email at stephen.robbs@dasilgp.qld.gov.au, who will be pleased to assist.

Yours sincerely



Mike Kaiser
Director-General

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Department of State Development, Infrastructure, Local Government and Planning

Improving asset management in local government

Response to recommendations provided by Mike Kaiser, Director-General, Department of State Development, Infrastructure, Local Government and Planning on **17 July 2023**

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
<p>We recommend the Department of State Development, Infrastructure, Local Government and Planning:</p> <p>6. develops a documented compliance strategy to monitor councils' asset management approaches to meet the asset sustainability ratios.</p>	Agree	Q3 2024	The Advancing Asset Management (AAM) project includes the development of a departmental strategy for monitoring and improving council asset management practices, which will be aligned to the Local Government Sustainability Framework.
<p>7. in assessing grant applications for infrastructure projects, analyses asset management plans to determine whether proposed projects are based on complete and accurate information, aligned to councils' long-term sustainability.</p>	Agree in principle	Commencing Q3 2024	The department will align implementation of this recommendation to increases in council asset management capability over time, noting that small regional, remote, and Indigenous councils are currently challenged to produce complete and accurate asset forecasts (which will be addressed through the AAM project).
<p>8. works with local governments to enhance asset management capability by:</p> <ul style="list-style-type: none"> • identifying the key capabilities needed by asset managers • assessing current asset management capability gaps across councils • developing strategies to help asset managers improve their capabilities through training and/or mentoring • providing periodic training to councillors and senior leadership teams focusing on asset leadership and governance • evaluating the results. 	Agree	Commenced Q1 2023	<p>The department is currently assessing council asset management capability gaps through the initial phase of the AAM project.</p> <p>The outcomes will inform the development of new councillor induction training for the 2024 quadrennial elections and will also inform the department's ongoing training programs.</p> <p>Additional capability development and monitoring strategies will be investigated through the AAM project.</p>

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
9. develops comprehensive better practice guidance for local government on the minimum requirements and templates for the following key asset management documents: <ul style="list-style-type: none"> • asset management policy • long-term asset management plan • asset management plans (for individual asset classes). 	Agree	Commencing Q3 2024	The AAM project includes the development of fit-for-purpose tools, templates and other resources (including the documents mentioned in this recommendation) to support local governments.

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2. Recommendations

We have developed the following recommendations for all councils and for the Department of State Development, Infrastructure, Local Government and Planning.

Chapter 3 – Gaps in asset management

We recommend all councils, assess whether their:

1. governance structures and culture ensure a whole-of-council (finance, asset, and service teams) approach to asset management, including planning, operating and maintaining, disposing and monitoring performance of assets.
2. asset management plans are current and cover all major asset classes, including if:
 - the data is consistent with the data in the long-term financial forecast and is based on the same assumptions
 - the data needs to be updated because significant changes have reduced its accuracy
 - the key performance measures accurately measure whether the council's assets are effectively delivering services aligned with the goals in the corporate plan.
3. data, if stored in separate asset management information systems, is recorded in a way that can be and is reconciled to the financial asset register.
4. workforce plans and/or strategies identify the necessary asset management capabilities and the optional and mandatory training to be completed.

We recommend all councils:

5. provide their assessments and associated action plans to address any of the above recommendations, where relevant, to their audit and risk committees to allow for regular progress reporting.

Chapter 4 – Greater support is needed to build asset management capability

We recommend the Department of State Development, Infrastructure, Local Government and Planning:

6. develops a documented compliance strategy to monitor councils' asset management approaches to meet the asset sustainability ratios
7. in assessing grant applications for infrastructure projects, analyses asset management plans to determine whether proposed projects are based on complete and accurate information, aligned to councils' long-term sustainability.
8. works with local governments to enhance asset management capability by:
 - identifying the key capabilities needed by asset managers
 - assessing current asset management capability gaps across councils
 - developing strategies to help asset managers improve their capabilities through training and/or mentoring
 - providing periodic training to councillors and senior leadership teams focusing on asset leadership and governance
 - evaluating the results.
9. develops comprehensive better practice guidance for local government on the minimum requirements and templates for the following key asset management documents:
 - asset management policy
 - long-term asset management plan
 - asset management plans (for individual asset classes).

Reference to comments

In accordance with s. 64 of the *Auditor-General Act 2009*, we provided a copy of this report to relevant entities. In reaching our conclusions, we considered their views and represented them to the extent we deemed relevant and warranted. Any formal responses from the entities are at [Appendix A](#).