

National Assessment Frameworks For Local Government Asset Management and Financial Planning

Implementation Proposal Paper

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National Assessment Frameworks Implementation Proposal Paper

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Executive Summary

A National Assessment Framework for Local Government Asset Management and Financial Planning (NAF) has been developed to evaluate progress with implementation of the Local Government Financial Sustainability Nationally Consistent Frameworks (*LGPMC Financial Sustainability Frameworks*) initiated by the Local Government and Planning Ministers' Council (LGPMC) and adopted in 2007.

The Sustainability Frameworks provide nationally consistent elements for local government to manage its community infrastructure more sustainably through effective asset management and financial planning.

Through the LGPMC, the State and Territory Governments have agreed to facilitate implementation of the *LGPMC Financial Sustainability Frameworks* across the nation.

Reasoning

Sustainability of local government, under existing expenditure and revenue policy settings, is in question. Analysis of local government reporting has shown that consumption of assets is exceeding renewal by a significant amount. The Australian Local Government Association (ALGA) 2006 Financial Sustainability Report (PwC) indicated an average annual funding gap in the order of \$3.1m per council and that 35% of councils are unsustainable unless there is change.

There is also significant inconsistency in financial reporting.

Processes need to be improved in a nationally consistent way for local government to sustainably deliver services to the community.

National Assessment Framework

On behalf of the LGPMC, the Australian Centre of Excellence for Local Government (ACELG) has prepared a National Assessment Framework as a structured online questionnaire to evaluate progress with implementing the elements of the *LGPMC Financial Sustainability Frameworks*. The outputs of the questionnaire will enable a local council to measure its progress against the Sustainability Frameworks. Progressive review and update of the evaluation by the council will show improvement trends.

The intended outcome is for Federal, State and Territory Governments to see aggregated information on current status and trends with implementing the key elements of the LGPMC Financial Sustainability Frameworks.

Benefits

A national approach and common assessment tool will assist local government to identify where it can target action to achieve improved asset management and financial planning. In aggregate form, local government will be able to demonstrate good governance and sustainable management to other levels of government under a nationally consistent framework.

The Way Forward

This Implementation Proposal Paper presents a National Assessment Framework for implementation as an on-line portal for the use and benefit of Local, State, Territory and Federal Governments and Local Government Associations.

Introduction

A National Assessment Framework is proposed to assist Local Government councils across Australia determine progress in implementing the Local Government and Planning Ministers' Council Local Government Financial Sustainability Nationally Consistent Frameworks (*LGPMC Financial Sustainability Frameworks*). The relevant Frameworks are:

- Framework 2: Asset Planning and Management (May 2009)
- Framework 3: Financial Planning and Reporting (May 2009)

The National Assessment Framework put forward in this document consists of:

The evaluation of the progress of local government towards core maturity in asset management and financial planning through a questionnaire against the ten key elements of the *LGPMC Financial Sustainability Frameworks*.

A key objective is for all local councils to achieve core maturity in implementation of the *LGPMC Financial Sustainability Frameworks*.

The reference to council includes the organisation and the council elected members. It is essential that the council elected members take an active role in the asset and financial management journey.

Objectives

The objectives of the National Assessment Framework are to:

- Provide a framework for reporting progress in implementing the *LGPMC Financial Sustainability Frameworks* for councils, local government associations, and in aggregate to Federal, State and Territory Governments.
- Demonstrate continuous improvement in asset and financial management at the local, regional, state and national level
- Meet councils' needs to determine ongoing action plans for future improvement
- Assist organisations supporting local government to identify areas for support, training and additional resources.

Sustainability

Local Government provides a varied and diverse range of services to the community. These services are delivered to a significant extent through the provision of complex networks of infrastructure assets.

Some of the assets provided by local government include roads, bridges, footpaths, stormwater drainage, recreational facilities, libraries, community facilities, water supply facilities, wastewater and waste disposal facilities. Most of these assets have high costs and long lives.

Many are essential to the smooth running of daily lives and contribute significantly to the quality of life of the community. Sustainability is the ability to continue to provide essential services at an acceptable level of service over the medium to long term.

To ensure the ongoing provision of services, at a level of service that the community wants and can afford, local government needs to be fully familiar with the full lifecycle cost of its infrastructure assets. Long-term financial plans must reflect the combined lifecycle costs of all assets. These costs include acquisition, operation, maintenance, renewal and disposal costs. There is a risk that failure to recognise and provide for these costs will result in levels of service

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diminishing to unacceptable levels or even failure. Higher ultimate costs to the community can also occur.

The future sustainability of local government rests on sound asset management and long term financial planning. The National Assessment Framework is a practical tool to inform decision making, focus scarce government resources and provide direction and co-ordination of efforts towards achieving the long term sustainability of infrastructure, financial sustainability and levels of service.

Local Government and Planning Ministers' Council

In June 2001 the Council of Australian Governments (COAG) amalgamated the existing Local Government Ministers' Conference and Planning Ministers' Conference to create a combined Local Government and Planning Ministers' Council (LGPMC). The objective of the LGPMC is to enhance the effectiveness of local government and planning across the nation.

The LGPMC in 2007 endorsed Financial Sustainability Nationally Consistent Frameworks. The Federal, State and Territory governments all agreed to apply the Frameworks to local government.

In May 2009 the LGPMC agreed to enhance the frameworks relating to Local Government **asset management and financial planning** and to commit to the acceleration of the implementation of the frameworks.

The National Assessment Framework is proposed to facilitate the LGPMC's objectives through improved local government asset management and financial planning.

Maturity Model

The National Assessment Framework is based on a series of questions that have been developed around asset management maturity models linked to the ten key elements of the LGPMC Financial Sustainability Frameworks. It is intended to facilitate a nationally consistent evaluation of implementation.

Key attributes of the model are:

- It is designed around the asset management journey of a council
- It assesses where a council is on the asset management maturity curve
- It evaluates progress towards 'Core' maturity in asset management and financial planning
- It provides specific reporting to individual councils, and aggregated reporting at a regional, state and national level.

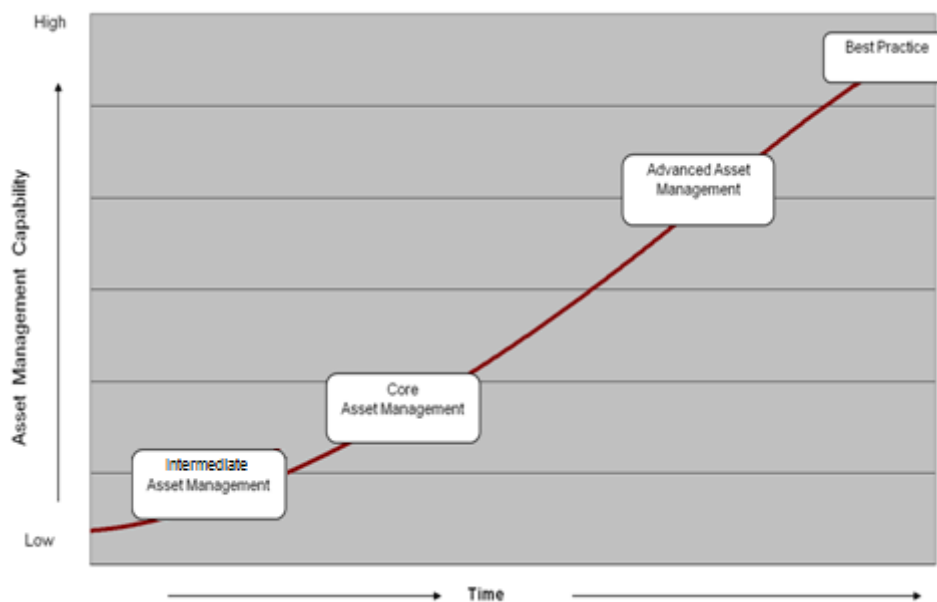


Figure 1 Asset Management Maturity Curve

It is the objective that councils should focus on achieving 'Core' level asset management and financial planning maturity. The NAF will also allow councils to undertake assessments and provide improvement strategies to assist with progress to and beyond 'Advanced' level. The NAF will provide 'Core' and 'Advanced' questions on the Portal. Users will only be able to see the 'Advanced' questionnaire and do the assessment if they turn the 'Advanced' option on.

Assessment Method

The Municipal Association of Victoria (MAV) and the Institute of Public Works Engineering Australia (IPWEA) have collaborated to develop a National Assessment Framework (NAF) to measure progress with implementation of the *LGPMC Financial Sustainability Frameworks*. The NAF provides a series of questions relating to the ten elements of the *LGPMC Financial Sustainability Frameworks*. Asset management strategy and planning have been broken into two elements (to make eleven) due to their significance. The eleven elements are:

1. Strategic longer-term plan
2. Budget
3. Annual report
4. Asset management policy
5. Asset management strategy
6. Asset management plans
7. Governances and management
8. Defining levels of service
9. Data and systems
10. Skills and processes
11. Evaluation.

It is proposed that the NAF be offered to local government via an online portal administered by the Australian Centre of Excellence in Local Government (ACELG). The NAF consists of 76 questions to determine progress with implementation towards core maturity. A further 67 questions to determine advanced maturity are provided for councils that propose to target more advanced maturity.

The assessment of each element is based on a series of questions on tasks or processes required to achieve core maturity. The responses will relate to whether the tasks/processes are complete, partially complete or not commenced. It is intended, in its basic form, that it will be a self-assessment carried out by each council.

Assessment Opinion

The results are evaluated as to whether the requirements in each element are met. The National Assessment Framework considers four ratings against each of the 11 elements of the *LGPMC Financial Sustainability Frameworks*:

- Meets requirements – the council’s asset management and financial practices meet the requirements of the *LGPMC Financial Sustainability Frameworks*, or any departures are not *material* or *high risk*
- Well Progressed – the council’s asset management and financial practices are well progressed toward meeting requirements of the *LGPMC Financial Sustainability Frameworks*
- Partially meets requirements – the council’s asset management and financial practices meet the requirements of the *LGPMC Financial Sustainability Frameworks* except for certain *material* and *high risk* exceptions, or
- Not substantially progressed - the council’s asset management and financial practices have not substantially progressed (0 – 50%) towards meeting the requirements of the *LGPMC Financial Sustainability Frameworks*.

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As noted above, local government is responsible for a wide range of infrastructure assets and services. A council may be deemed to meet requirements where:

- It has met requirements for principal asset classes with a value aggregating over 80% of organisations total asset value and
- Any incomplete program element tasks do not have a material or significant effect on the council achieving the desired outcomes of the *LGPMC Financial Sustainability Frameworks*.

To help to ensure that the evaluation is a true and reasonable assessment of the organisation's current position and to confirm data quality, the assessment needs to be certified by the organisation's chief executive. An option will be provided for a certificate attached to the report stating that this has the endorsement by CEO as a true and fair view.

See APPENDIX A for an example of a typical Council Assessment Report.

Aggregated Reporting

The National Assessment Framework proposes aggregated reporting to allow improvement measurement nationally, by State/Territory, regions and other groups.

It is proposed that individual councils will not be able to be identified in aggregated reporting.

The relevant state/territory and LG association will have access to respective council information on the portal in order to target improvement assistance that may be required.

It is a fact that there could be concern in local government about how the data will be aggregated and disseminated. It is vital to the success of the NAF that it has the confidence of local government. The objective is to achieve the desired outcomes of the *LGPMC Financial Sustainability Frameworks* and the focus will therefore be on improvement of the local government sector, and not on individual councils, and to avoid any "league tables" comparisons. The relevant state local government jurisdictions and LGAs will take the necessary steps to ensure that the data available to them is not utilised to assemble "league tables"

It is proposed that the information will be provided by individual councils completing the on-line questionnaire. The individual council information will be made available by ACELG to respective State and Territory Local Government Departments (Divisions) and Local Government Associations. Aggregated Regional, State and National Data and other aggregated group data will be available to Local, State, and Federal government, Local Government Associations and ACELG and its partners.

The security of the information gathering process and the resultant data and reports will also be of the utmost importance in implementation of the proposed on-line portal as well as the use of the data and information.

See APPENDIX B for possible National/State/Territory Reporting tables and graphs.

The following table outlines the hierarchy of access to information.

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Level	Information
Individual council	Access to its own detailed information and comparison against aggregated regional, State/Territory and National information Access to Regional and ACLG aggregated information Access to State/Territory wide aggregated information Access to National aggregated information
Local government associations	Access to Regional and ACLG Aggregated information Access to State wide aggregated information Access to National aggregated information Access to respective Council specific data or information
State local government department/divisions/office	Access to Regional and ACLG Aggregated information Access to State wide aggregated information Access to National aggregated information Access to respective Council specific data or information
Federal local government department LGPMC COAG	Access to Regional and ACLG Aggregated information Access to State wide aggregated information Access to National aggregated information No individual Council specific data or information

Online Portal

The on-line portal facility is intended to provide a council access via a username and password process to input data on-line for its own organisation. The council's page will be populated with the council name, ACLG classification, LGA population, region, State/Territory and any other relevant grouping.

For the States, Territories and LG Associations where the information is collected by their own compatible systems, the data may be input in a bulk state location on the database in a predefined format. This will not preclude any council within those jurisdictions from inputting data into its own location and obtain its own individual reports. When compiling the state and national aggregated reports, the system will be designed to ensure there is no double counting. Reports and graphs will be generated to enable the council to determine its level of maturity based on answers to questions provided, and to provide a basic gap analysis to assist with continuing improvement.

Self Evaluation

An important element of the process is to allow on-going self evaluation and progress reporting in its basic form. There can be different interpretations and approaches when completing evaluation questions.

Consistency in applying the evaluation methodology will need to be developed over time through user guides, help notes, training, regional peer reviews, and internal audit committee reviews, and possibly through to external audits in its most advanced form.

Facilitated self assessment is available in some states via their local government associations. This can assist with consistency of evaluation. Ongoing resourcing of this facilitation is an important issue.

Encouraging Use

The completion of the National Assessment Framework by councils will be freely available to local government councils. Encouraging local government to use the NAF will need to be considered. Difficulties for national adoption may include:

- lack of knowledge within Local Government at large about the *LGPMC Financial Sustainability Frameworks* and target objectives
- insufficient time and resources to complete the questionnaire
- not seen as adding value to the council
- concern that areas of perceived underperformance will be identified due to lack of understanding by others of the local issues and challenges
- concern about use of information in an unconstructive manner.

The capacity of Local Government to understand and see advantage in reporting on implementation of the *LGPMC Financial Sustainability Frameworks* needs to be addressed. This will need an education and communication process through the jurisdictions, state associations and professional bodies to facilitate and encourage use of this national tool. The State and Territory jurisdictions will determine ways to encourage the use of the NAF to show the value to their respective local government bodies.

In the first instance, it is proposed that the NAF be developed in an online beta version for trial and testing as a voluntary tool for use by councils.

This online portal would provide a council with a measure of progress in relation to elements of the *LGPMC Financial Sustainability Frameworks*. It would give an indication in relation to the council's region, State/Territory and nationally based on available information. It is a mechanism to identify gaps and priorities in implementing the *LGPMC Financial Sustainability Frameworks*. The NAF would provide councils with a basic asset management and financial planning improvement plan. After using the tool a council will see the value in the information. This should encourage continuing use.

Gap Analysis

The assessment, when completed by a council, will provide a gap analysis to assist in targeting areas of improvement to enhance maturity. By recognising and targeting improvement, a council will be able to build its internal capacity to assist with sustainability.

It may be desirable for councils to be able to undertake progress comparisons through ACLG classifications, National, States/Territories, regions or other groupings by being able to draw down reports at an aggregated level, and comparing against their own specific data.

Reports

The reports generated from the National Assessment Framework model are yet to be fully defined.

Possible examples are shown in APPENDIX A and APPENDIX B. These reports are summary reports by State/Territory. More detailed reports could be prepared by National Sustainability Framework elements and for regions, ACLG classifications and other groupings.

Local Government Association Survey

The questionnaire may be undertaken by the State Local Government Associations in order to give assistance and guidance to Councils. This is occurring in different forms in some States as shown in APPENDIX C. This can provide a state wide consistency and help to ensure that a complete data set for the state is obtained. Ongoing resourcing of this strategy post the Local Government Reform Funding will be a challenge.

National Forum

ACELG convened a 1.5 day National Forum in May 2011, inviting all Federal, State and Territory Local Government Departments, the ALGA, local government associations and professional associations to canvas comments and opinions relating to the proposed National Assessment Framework in order to get a generally agreed national approach. The outcomes have been incorporated into this Implementation Proposal Paper. The report of that meeting is in Appendix E

Training and Awareness for Council Elected Members and Staff

It is very important for councils to be aware of and get involved in this process. The State and Territory jurisdictions and Associations will include promotion and training in their improvement programs. The training could include:

- how to complete the assessment questionnaire
- reports generated by the NAF
- validation and certification
- improvement action plans
- how the information will be aggregated and utilised
- Council elected members role in strategic planning and community engagement
- value and benefits to councils.

Online support material will be available from the NAF Portal.

Special State Requirements

The NAF strives for National Consistency and cannot provide every individual state requirement. It is proposed that the NAF is used initially as a base case. States may look at enhancements to suit individual requirements relating to areas such strategic plans, community engagement and long-term financial planning.

The Way Forward

1. ACELG will distribute the Implementation Proposal Paper, questionnaire and business rules to the Forum participants for comment.
2. ACELG will distribute the final Implementation Proposal Paper for the consideration of the Local Government Joint Officers Group (LOGJOG) following consideration of comments received above.
3. ACELG to develop an online beta version of the National Assessment Framework online portal as a freely available tool for use by councils to measure their progress in implementing the *LGPMC Financial Sustainability Frameworks* and to prove the concept.
4. Pilot the beta version portal.
5. Final release of the Portal for use of councils

References

- IPWEA, 2009, "Australian Infrastructure Financial Management Guidelines Edition 1.0", Institute of Public Works Engineering Australia, Sydney.
- Local Government and Planning Ministers' Council 2009, "Local Government Financial Sustainability Nationally Consistent Frameworks", , www.lgpmcouncil.gov.au

Definitions

‘Advanced’ - The ‘advanced’ maturity questions are provided to guide councils wanting to progress beyond a ‘core’ maturity and measure improvement beyond ‘core’ maturity.

‘Core’ level – the maturity level required to implement the LGPMC Financial Sustainability Frameworks. The National Assessment Framework includes a ‘core’ and ‘advanced’ maturity assessment. The ‘core’ maturity questions have been developed to meet the LGPMC Financial Sustainability Frameworks maturity level.

Council Evaluation Each local government council would assess their status by completing a questionnaire designed to measure progress towards achievement of the *LGPMC Financial Sustainability Frameworks*. Questions have been prepared against each of the elements within the LGPMC Financial Sustainability Frameworks where each question would have three possible responses – “Complete”, “Partially Complete” and “Not Started”. In response to the answers to those questions an assessment would be made against each of the 10 (expanded to 11) Framework elements.

Evaluation may be carried out by internal or external assessment.

Internal evaluation would be by internal assessment with rigour certified by the CEO such as:

- Assessment by asset management steering committee and review by executive management team,
- Assessment by asset management steering committee and review by internal audit committee

External assessment may be carried out by a suitably experienced person that may be part of an asset management improvement program.

Councils should be encouraged to include a management response to the assessment report. Reporting would be to the Australian Centre of Excellence for Local Government (ACELG) who would be responsible for recording individual assessment summaries for the 10 (11) elements, and an overall evaluation through an online lodgement service or lodgement by a state aggregation method.

Council includes the organisation and elected members

Elements of the LGPMC Financial Sustainability Frameworks – the enhanced national framework 2 on asset planning and management contains 7 elements and the enhanced national framework 3 on financial planning and reporting contains 3 elements. The assessment model splits asset planning and management element 2 *Strategy and Planning* into two items covering Asset Management Strategy and Asset Management Plans giving a total of eleven elements assessed in the National Assessment Framework.

High risk of not achieving the *LGPMC Financial Sustainability Frameworks* objectives – where there is a significant chance that lack of ‘core’ competency/maturity in a National Assessment Framework element will result in the *LGPMC Financial Sustainability Frameworks* desired outcomes not being achieved.

Immaterial effect *LGPMC Financial Sustainability Frameworks* outcomes – Judgement is made that the issue is insignificant to a user of the evaluation (see also material effect above).

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LGPMC Financial Sustainability Frameworks Desired Outcomes –

- Support improved asset and financial management by local governments across Australia,
- Assist in highlighting key financial issues where a common approach is needed,
- Promote prudent, transparent and accountable management of local government assets,
- Introduce a strategic approach to meet current and emerging challenges,
- Ensure a national debate on local government can occur in an informed basis.¹

Low risk of not achieving the LGPMC National Sustainability Framework objectives – where there is a minor chance that lack of ‘core’ competency/maturity in a National Assessment Framework element will result in the *LGPMC Financial Sustainability Frameworks* desired outcomes not being achieved.

Material effect on *LGPMC Financial Sustainability Frameworks* desired outcomes – The preparation of an assessment requires a degree of judgement by the assessor. Where decisions are required about the appropriateness of a particular assessment judgement, ‘materiality’ convention suggests that this should only be an issue if the judgement is ‘significant’ or ‘material’ to a user of the assessment. Accounting Standards give guidance on materiality where “an item of expenditure may be presumed as material when it is:

- a) Equal to or greater than 10 per cent, or
- b) Based on judgement and not being less than 5 per cent of the appropriate base amount unless there is evidence, or convincing agreement, to the contrary.”²

Assessing materiality in the National Assessment Framework requires a judgement of materiality in omission or departure from the LGPMC National Sustainability Framework elements requirements and framework desired outcomes. Guidelines need to be developed to achieve consistent outcomes.

NAMAF National Asset Management Assessment Framework adopted by the Municipal Association of Victoria (MAV). It is synonymous with the National Assessment Framework for Local Government Asset Management and Financial Planning. See Appendix C

¹ Collated from Frameworks 1-3, Section 3 *Guiding Principles*

² AASB 1031.15 pp 8-9

APPENDIX A

Council Evaluation Report Example

Council reporting of present position (maturity) may be done as follows:

Framework Element	Evaluation Opinion			Material Exceptions
	Meets Requirements	Partially meets requirements	Not substantially progressed	
Strategic longer-term plan		X		Plan does not include mechanisms for monitoring achievement of objectives
Budget		X		Budget does not connect to strategic objectives Budget does not include explanation of financial performance and position of council
Annual report		X		Report does not include explanation to community on impact on longer-term strategies of variances between budget and actual results
Asset management policy	X			
Asset management strategy		X		Strategy not adopted by council
Asset management plans		X		AM Plans required for buildings and recreation services
Governances and management			X	
Defining levels of service			X	
Data and systems			X	
Skills and processes			X	
Evaluation			X	
Overall			X	
Management Response	Council has adopted an asset management strategy and an asset management improvement plan to achieve core competence within 2 years.			

Note: Council reporting is for the fields shown in yellow.

APPENDIX B

National/State/Territory Reporting Example

Reporting can also be done at Element level and for States, Territories, regional ACLG classifications and other groups.

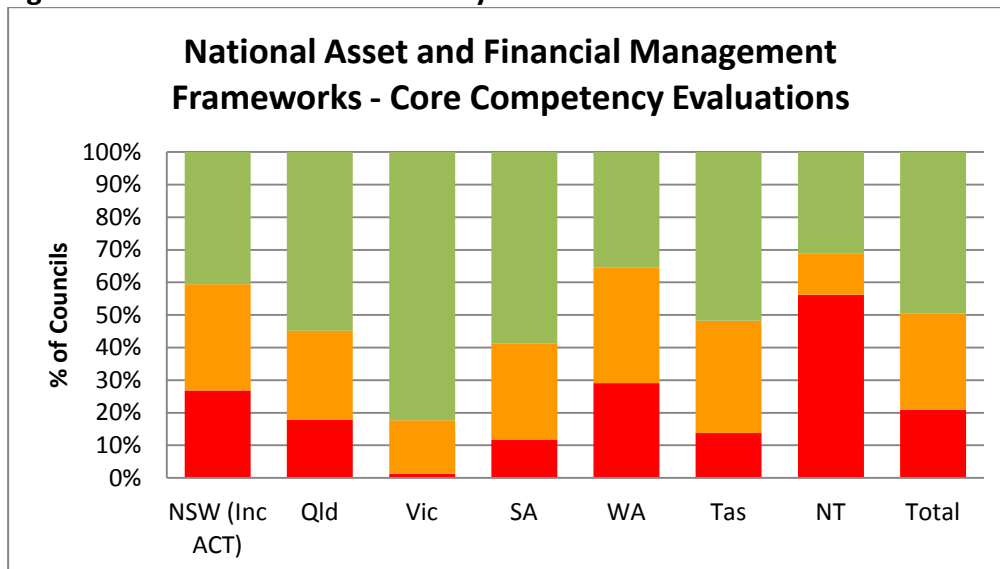
State and National Scoring could summarise the Evaluation Positions in tabular and graphical form.

State/Territory	No councils	Evaluation Opinion			Management report by councils *
		Meets Requirements	Partially meets requirements	Not substantially progressed	
NSW (Inc ACT)	153	62	50	41	40 of 91 (44%)
Qld	73	40	20	13	25 of 33 (76%)
Vic	79	65	13	1	13 of 14 (93%)
SA	68	40	20	8	20 of 28 (71%)
WA	141	50	50	41	60 of 91 (66%)
Tas	29	15	10	4	8 of 14 (57%)
NT	16	5	2	9	6 of 11 (55%)
Total	559	277	165	117	172 of 282 (61%)

Note: Data is assumed and for illustration purposes only.

* Number of Councils who have indicated a management response to the evaluation.

Fig 1: LGPMC Financial Sustainability Frameworks Evaluation 31 Dec 2010



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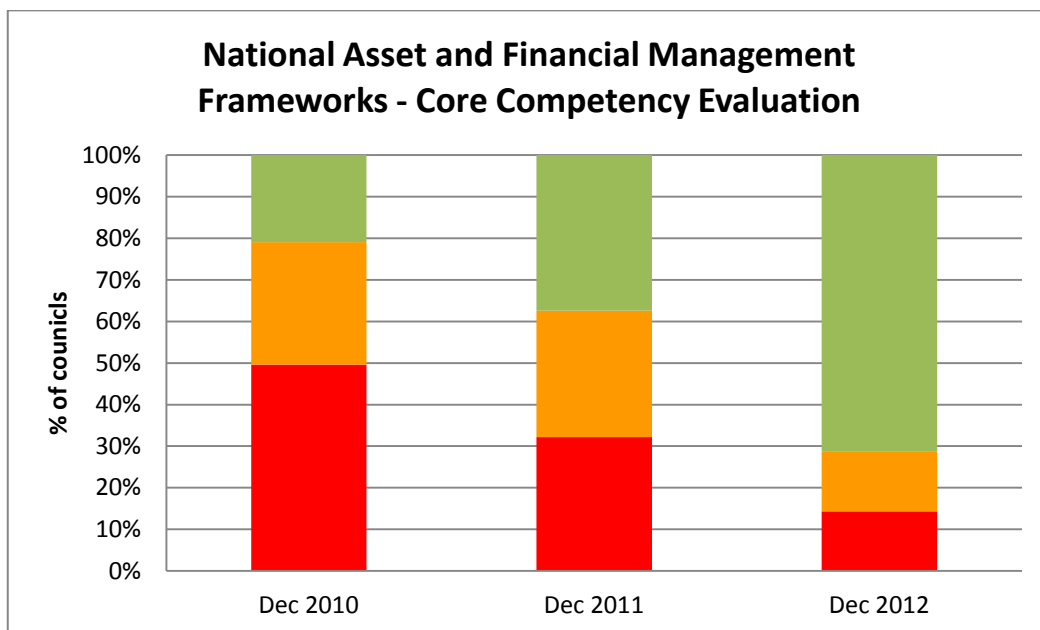
National/State/Territory Reporting Example

Reporting can also be done at Element level and for States, Territories, regional ACLG classifications and other groups.

Reports in following years can report and change in the national and state core competency positions.

Year	Evaluation Opinion (No. of Councils)			Improvement
	Meets requirements	Partially meets requirements	Not substantially progressed	
Dec 2010	117	165	277	0
Dec 2011	209	170	180	Yes
Dec 2012	399	80	80	Yes

Fig 2: LGPMC Financial Sustainability Frameworks Evaluation 31 Dec 2010 – 31 Dec 2012



APPENDIX C

Summary of activities occurring in each State

ACELG commissioned Ian Mann, CT Management Group to prepare the following report (Feb 2011).

1. VICTORIA

1.1 Asset Management Performance Measures Project

The Victorian Department of Planning and Community Development undertake an annual survey under their “Asset Management Performance Measures Project” where they seek high level information from each Council about twelve primary services and financial performance information on seven main asset classes. Asset financial information is requested for a forward period of fifteen years. This provides the State Government with a high level overview of proposed changes to each Council’s service levels and how they propose to manage their asset renewal and maintenance needs into the future.

1.2 MAV Asset Management STEP Program

The Municipal Association of Victoria (MAV) has been running a Local Government asset management capacity building program in Victoria since 2003. As part of that program it uses a performance assessment tool to benchmark each Council’s relative performance and to measure their improvement progress year by year.

In 2010, the MAV discarded its previous assessment tool and commence using the National Asset Management Assessment Framework (NAMAF)³. This was to recognise and support a National Assessment Framework and better align its STEP program with the Local Government and Planning Ministers’ Council – Local Government Financial Sustainability Nationally Consistent Frameworks.

The NAMAF tool is used to assess a Council’s strengths and weaknesses in asset and financial management following which a prioritised improvement plan is developed. The MAV has set a target for all Councils to achieve a “Core” level of maturity as assessed under the NAMAF by December 2012.

1.3 Alignment with NAMAF

The MAV STEP asset management program utilises an enhanced version of the NAMAF and is 100% aligned with the NAF presented in this Implementation Proposal Paper. The MAV STEP assessment tool underpins the MAV’s Local Government capacity building and sustainability program by identifying improvement opportunities at each Council in the areas of asset management and financial management.

2. SOUTH AUSTRALIA

2.1 Managing for the Future

During 2010, the Local Government Association of South Australia implemented its “Managing for the Future” (MFTF) Program. This is a whole of Council business approach which uses a survey questionnaire to assess a Councils current performance and develops a continuous improvement plan for the Council to follow over a period of time to achieve a predetermined performance level. Each Council sets its own priority and action timelines to achieve the desired performance outcomes.

³ NAMAF is synonymous with the National Assessment Framework for Local Government Asset Management and Financial Planning.

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The evaluation methodology utilises a 129 question survey form developed around four themes to assess the Council's performance. A brief summary of each assessment group is shown below:

A. Strategy and Planning

- A1 **Strategic Management** – Currency of Strategic Management Plans, their contents, how they assess sustainability, give due regard to other Councils and regional bodies Strategic plans, national reform programs and performance indicators
- A2 **Long Term Financial Management** – The status and content of each Council's 10 year long term financial plan, sustainability indicators, achievement of sustainability, funding for asset renewal, funding for actions within Council's other strategic documents, ten year forward P&L and Balance Sheet and other performance indicators
- A3 **Asset Management** – Adoption of Asset Management Policy, Content and status of Infrastructure and Asset Management Plans across seven asset classes with a particular emphasis on the impact of climate change.

B. Annual Planning and Budgeting

- B1 **Annual Business Plan** – Content and status of Council's Annual Business Plan including performance measures, operating revenues, expenses and capital expenditure, rating structure and specific actions to meet asset renewal and maintenance needs as identified in the Asset Management Plans.
- B2 **Annual Budget** – Content of Council Budget and its link to the Long term Financial plan

C. Governance and Management

- C1 **Policies** – Assessment of a number of policies which relate to budget preparation, financial controls, contracts and tenders, treasury management, funding, rating, major projects, assets and risk and how often they are reviewed.
- C2 **Performance Measurement** – regular reporting on achievement against financial and non-financial performance measures to Council and relevant staff. Council performance is reported through public documents such as the Annual Business Plan and Annual Report.
- C3 **Reporting and Evaluation** – Staff delivering services are expected to give regular accurate and timely reports. Asset management performance and asset performance are reported regularly.
- C4 **Knowledge and Skills of Council Members** – Council has a Council Members Training and Development Plan, Councillors are kept informed on issues of climate change, demographic change and other key issues and Councillor induction programs are run.
- C5 **Audit Committee** - functions and operations of the Audit Committee
- C6 **Community Engagement** – The content and application of Council's community engagement policy. Degree of engagement for projects, meeting of statutory requirements in relation to Strategic Management Plans, Long Term Financial Plan and Infrastructure and Asset Management Plans

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C7 Risk Management – Policy development, embedding of risk management within the organisation, funding for risk mitigation measures, content and implementation of a Risk Management Plan

D. Capacity and Resilience

D1 Service Standards – Policies articulate standards of service, Council has endorsed minimum service standards which are subject to regular review

D2 Workforce/Human Resource Planning – Council has a Workforce Plan to give effect to its Strategic Management Plans and which reflects its articulated service standards based on employee skills and qualifications.

D3 Training and Development – Council has a funded training and development program for its staff.

D4 Shared Service Arrangements – Assessment of the degree of collaboration the Council has with other Councils and Regional Bodies around governance, IT, procurement, financial services, asset sharing, infrastructure creation and maintenance, waste management and regulatory services.

The results of the survey are collated and an improvement action plan is developed for use by the Council. The improvement actions have been designed to improve the Council's sustainability over the long term.

2.2 Alignment with NAF

The South Australian "Managing for the Future" Program is a comprehensive Local Government assessment and development program designed to improve each Council's performance to improve their sustainability. Through its standardised questionnaire and improvement plan format, it sets out a minimum standard of performance each Council should reach to enhance its sustainability.

Its assessment is far broader than the NAF. In the financial assessment areas there are many common themes and alignment is fairly close.

In the asset management area, the assessment does not extend as deep into the subject matter as the NAMAFA so outcomes will be less prescriptive.

3. QUEENSLAND

3.1 Local Government Sustainability and Reporting Program

The Queensland Department of Infrastructure and Planning (DIP) initiated its Local Government Sustainability and Reporting Program in 2009. It was introduced as a sustainability and reporting process for all Queensland Councils with an emphasis on sustainable communities and Councils.

The annual reporting program has four elements:

- Asset Management
- Community Engagement
- Governance
- Financial Management (Sustainability)

The four reporting frameworks are designed to assess performance of each Local Government body under each element and then help direct State Government Policy and local government support programs to improve sustainability across the sector.

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3.1.1 Asset Management

The Queensland Government has set a policy “All Councils are to develop and maintain long term financial plans base on sound infrastructure asset management plans”.

The DIP’s annual return from each Council requires them to indicate whether they have Asset Management Plans for each relevant asset class and if not the status of progress towards the establishment of each Asset Management Plan.

The Queensland Government initiated an Asset Management Advancement Program (AMAP) in 2009 which is a milestone based program for Councils to follow to develop asset management plans within a defined timeframe. DIP established a target for all Councils to have “Core”⁴ level Asset Management Plans for significant infrastructure asset classes by December 2010 and an “Advanced”⁵ level Plan completed by December 2012.

As a result of the Local Government Reform Fund project, DIP has revised AMAP for 2011 2012 to cater for the LGRF milestones. All local governments in Queensland are now working towards having all infrastructure asset classes governed by an asset management plan by September 2011.

3.1.2 Governance

The DIP’s annual return from each Council on Governance requires information to assess a limited number of governance elements and is used to evaluate whether certain key processes are in place to support planning and decision making associated with sustainability.

The governance evaluation is comprised of a number of components:

- integrated approaches to strategic planning, including community planning
- integrated approaches to financial management
- risk management.

3.1.3 Financial Management (Sustainability)

The DIP’s annual return from each Council requires them to provide a ten year forward annual forecast showing capital expenditure on the replacement of assets (renewals), written down value of infrastructure assets, the gross current replacement cost of infrastructure assets and depreciation expenses.

The Local Government Act 2009 includes a definition of financial sustainability for the first time. The Local Government (Finance, Plans and Reporting) Regulation 2010 includes six measures of financial sustainability for use by local governments. There are a number of disclosure requirements associated with these indicators, including annual reports and annual budgets. A separate Financial Management (Sustainability) Guideline provides background and technical support to the use of the sustainability indicators.

3.1.4 Community Engagement

The DIP’s annual return from each Council requires them to provide information about how community engagement is used and to determine whether the council has developed formal good practice community engagement processes and whether these are being integrated with the planning processes of council. It requires them to provide information about what level of engagement they use, when they consult with the community and how they do it.

⁴ As defined in the IPWEA’s International Infrastructure Management Manual

⁵ As defined in the IPWEA’s International Infrastructure Management Manual

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3.2 Local Government Capacity Building and Support Program

The State Government and the Local Government Association of Queensland have initiated the LG Asset Program to assist Councils improve asset management and financial performance to improve their overall sustainability.

3.2.1 LG Asset Program

This program uses the NAF to assess each Council's current level of asset management and financial management maturity and then to develop a tailored improvement plan to improve that Council's sustainability over time. It runs complementary to and underpins progress to improve sustainability of Councils in Queensland.

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3.3 Alignment with NAF

The LG Asset Program utilises an enhanced version of the NAMAf and is 100% aligned with the NAF presented in this Implementation Proposal Paper. The LG Asset program supports the Queensland Government's Local Government Sustainability and Reporting process by identifying improvement opportunities at each Council in the areas of asset management and financial management to drive them along a path to improved sustainability.

COMPARATIVE TABLE

NAF Element	STEP Program Victoria	LG Asset Queensland	Managing for the Future South Australia
Financial Management			
Strategic Long Term Plan	Fully Aligned	Fully Aligned	Strategic Plans - Mostly Aligned – Higher level assessment. No direct questions assessing influence of strategic asset management. Long term Financial Plan – Aligned – With a change in wording to some questions it would be fully aligned.
Annual Budget	Fully Aligned	Fully Aligned	Mostly Aligned – Budget questions have a different focus but intent is similar.
Annual Report	Fully Aligned	Fully Aligned	Mostly Aligned – Annual Report questions have a different focus but intent is similar. No requirement to reference to asset management performance.
Asset Management			
Asset Management Policy	Fully Aligned	Fully Aligned	Aligned but with less detail
Strategy and Planning	Fully Aligned	Fully Aligned	AM Strategy -Partially Aligned – Improvement Plan meets some of the NAMAf requirements AM Plans – Partially Aligned – Asset Management Plans required but no requirement to meet IIMM standard “Core” content
Governance and Management	Fully Aligned	Fully Aligned	Little Alignment – Implied however the MFTF framework assesses good management practice but does not specifically target asset and financial management.
Levels of Service	Fully Aligned	Fully Aligned	Mostly Aligned – Requirement for Council to define minimum service

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			standards but details required to be included in service plans needs better definition.
Data and Systems	Fully Aligned	Fully Aligned	Little Alignment – Implied however the MFTF framework has a much higher level approach. It does not assess a Council’s underlying data and systems.
Skills and Processes	Fully Aligned	Fully Aligned	Skills – Little Alignment. Implied however the MFTF framework takes a high level approach and asks about workforce plans. It does not specifically assess asset and financial management skills and competencies Processes – Little Alignment. Implied however the MFTF framework takes a high level approach and asks about policy development. It does not specifically assess operational processes.
Evaluation	Fully Aligned	Fully Aligned	Aligned – Emphasis is at a higher level. With a change in wording in some questions it would be fully aligned.

Notes:

Fully Aligned	Utilises the same format and content as the NAF
Aligned	Uses a different survey format but assess the same criteria as the NAF
Mostly Aligned	Uses a different survey format emphasis however has a strong (60~80%) alignment with the NAF
Partially Aligned	Uses a different survey format and emphasis and has a reduced (10~30%) alignment with the NAF

4.1 Observations

The Victorian and Queensland programs are using an enhanced version of the NAMAFA so are very closely aligned. They could be readily integrated into the proposed NAF.

The main reason the South Australian Program does not have a close alignment is because it has a broader focus and undertakes a higher level assessment of each Council’s performance.

The NAF undertakes a more detailed assessment in the areas of asset management and financial management. The NAF is deeper over fewer areas whilst the South Australian Program is targeted at a higher level over a broader group of categories.

It appears that the intent of the asset management and financial management components of the South Australian Program align very closely to the NAF.

Use of the NAF in these specific areas would complement the South Australian Program.

APPENDIX D

Proposed National Assessment Framework Questionnaire Core and Advanced Questions

Core or Advanced	Core No	Adv No	Assessment Questions
			Strategic Long Term Plan
Core	1		Council has adopted a Strategic Long Term Plan (planning horizon of at least 5 years) that incorporates a vision, strategic outcomes, mission, values and service outcomes that Council wants to achieve. The minimum timeframe may vary depending on relevant state requirements.
Core	2		The development of the Strategic Long Term Plan included-elected member participation and was informed by community consultation and includes strategic objectives that address social, environmental, economic and civic leadership issues identified by the community.
Core	3		The Strategic Long Term Plan incorporates priorities and performance measures and indicates how they will be monitored and measured.
Core	4		Council has a sustainable Long Term Financial Plan covering the period of the Strategic Long Term Plan (at least 5 year) supporting the implementation of its Long Term Plan. The minimum timeframe may vary depending on relevant state requirements.
Core	5		The Long Term Financial Plan has been prepared based on the resource requirements and strategic objectives detailed in Council's Long Term Plan and Asset Management Plans.
Core	6		The Strategic Long Term Plan and Long Term Financial Plans incorporate review processes in accordance with relevant state requirements.
Advanced		1	Council has a Strategic Long Term Plan (ideally 20 years - at least 10 years) that incorporates a vision, mission, values and long term service outcomes that reflects how Council plans to provide for community needs.
Advanced		2	The development of the Strategic Long Term Plan included community engagement, reflects community service needs and has full involvement of elected members.
Advanced		3	A community engagement strategy has been developed in accordance with relevant state requirements.

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Advanced		4	Council has a sustainable Long Term Financial Plan (ideally 20 years - at least 10years) which establishes its prudential limits on debt, revenue raising, asset management funding and capital works to support its Long Term Plan.
Advanced		5	Council's Long Term Financial Plan is directly aligned with its Service Plans.
Advanced		6	The Long Term Financial Plan clearly separates 'recurrent expenditure' under the categories of operations and maintenance and clearly separates 'capital works expenditure' under the categories of renewal, upgrade and new.
Advanced		7	The Long Term Financial Plan clearly identifies the ongoing maintenance, operational and renewal impacts arising from capital works and contributed assets.
Advanced		8	Optimum life cycle costs are known and supported high levels of data, information and knowledge in all key areas. Political decisions are informed by multiple service level / cost / funding model data, information and knowledge on tradeoffs for economic, social, cultural and environmental consequences.
Advanced		9	The Long Term Financial Plan includes sensitivity analysis and scenario modelling to optimise decision making.
			Annual Budget
Core	7		The Annual Budget contains estimates of revenue and expenditure with an explanation of the assumptions and methodologies underpinning the estimates, an explanation of the financial performance and position of the Council and has been prepared based on the resource requirements and strategic objectives detailed in Council's Strategic Longer Term Plan, Asset Management Plans and Long Term Financial Plan.
Core	8		The Annual Budget reflects the Council's strategic objectives and contains a statement of how Council will meet the goals and objectives of its Strategic Longer Term Plan.
Core	9		The Annual Budget aligns with Year 1 of the Long Term Financial Plan, and was adopted following community consultation
Core	10		Council's Annual Budget includes resources to implement Strategic Longer Term Plan strategies.
Advanced		10	The Annual Budget nationally consistent financial ratios align with the Council's Long Term Financial Plan.
Advanced		11	The Annual Budget is prepared based on 'service levels' as reflected in the Strategic Longer Term Plan and contains indicators and measures to assess performance against achieving Council's strategic objectives.

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Advanced		12	The Annual Budget clearly separates 'recurrent expenditure' under the categories of operations and maintenance and clearly separates 'capital works expenditure' under the categories of renewal, upgrade and new.
Advanced		13	The Annual Budget clearly indicates the ongoing maintenance, operational and renewal impacts arising from capital works and contributed assets.
			Annual Report
Core	11		The Annual Report complies with all statutory requirements including publication by the due date and is made widely available to the public.
Core	12		The Annual Report includes independently audited financial statements that are prepared on an accrual basis in accordance with the Australian Accounting Standards.
Core	13		The Annual Report reviews the performance of the Council against its strategic objectives and explains variations between the budget and actual results and how these variations impact on the Strategic Longer Term Plan.
Core	14		The Annual Report includes details of any major changes in functions of the Council, organisation structure and/or policy initiatives and how these changes might impact on Council's Strategic Longer Term Plan.
Core	15		In relation to the financial reporting framework in the Annual Report, the Annual Report addresses the following issues in accordance with relevant state policies, Australian Accounting Standards and other best practice guidelines: <ul style="list-style-type: none"> a. Asset valuations and revaluations b. Asset acquisitions including capitalisation policy c. Asset disposals
Advanced		14	The Annual Report includes a performance assessment of progress towards achieving the goals and strategic objectives of the Strategic Longer Term Plan.
Advanced		15	The Annual Report includes a statement of actual performance for the year as measured against the Long Term Financial Plan, including reporting on measures of actual financial performance against short and long term financial sustainability indicators.
Advanced		16	The Annual Report distinguishes between 'recurrent expenditure' under the categories of operations and maintenance and 'capital works expenditure' under the categories of renewal, upgrade and new.
Advanced		17	The Annual Report includes a statement on "State of the Assets" and the financial sustainability of services provided by its infrastructure assets including any proposed adjustment to services/assets to address issues as they arise.
Advanced		18	The asset financial reporting within the Annual Report, is such based on the following: <ul style="list-style-type: none"> a. Documented Asset Accounting Policy in accordance with the Australian Accounting Standards. b. Audit processes involving internal audit committee and external auditors as required by legislation, to annually review all accounting

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			processes. c. Audit management advice reviewed and acted on by Council.
			Asset Management Policy
Core	16		Council has an adopted Asset Management Policy which defines the Council's vision and service delivery objectives for asset management.
Core	17		The Asset Management Policy has a direct linkage with Council's Strategic Longer Term Plan and Long Term Financial Plan.
Core	18		The Asset Management Policy requires the adoption of Asset Management Plans informed by community consultation and local government financial reporting frameworks.
Core	19		The Asset Management Policy defines asset management roles, responsibilities and reporting framework.
Core	20		The Asset Management Policy identifies a process for meeting training needs in financial and asset management practices for councillors and staff.
Advanced		19	The Asset Management Policy provides a reasonable basis for long-term integrated decision making by the Council and for participative decision making by the community and subsequent accountability to the community about the activities of the Council
Advanced		20	The Asset Management Policy clearly articulates the principles and financial implications upon which decisions relating to assets and their performance will be based. Such as:- <ul style="list-style-type: none"> • Whole of Life costs • Renew before New • Forms part of Long Term Financial Plan • Capital contributions
Advanced		21	The Asset Management Policy has organisational context and acknowledges the importance of asset management in supporting services provided by Council.
Advanced		22	The Asset Management Policy identifies the need for Council reporting to be categorised in terms of operational, maintenance, renewal, upgrade and new expenditure classifications.
Advanced		23	The Asset Management Policy includes audit and review procedures, specifies review dates and has a sunset clause.
			Strategy and Planning Asset Management Strategy
Core	21		Council has an Asset Management Strategy which shows how the asset portfolio can meet the service delivery needs of the community and defines the future vision of asset management practices within Council.
Core	22		Council's Asset Management Strategy is linked to Council's Asset Management Policy and integrated into Council's Strategic Longer Term planning and annual budgeting processes.

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Core	23		Council's Asset Management Strategy documents the current status of asset management practices (processes, asset data and information systems) within the Council and what actions Council must take to implement the Asset Management Policy, including resource requirements, timeframes and accountabilities.
Advanced		24	Planning for New assets and the Upgrade of assets is driven by Council's Strategic Longer Term Plan, Council's Service Plans and Council's Asset Management Plans.
			Strategy and Planning Asset Management Plans
Core	24		There are documented Asset Management Plans for all material asset groups in a consistent format in accordance with industry best practice (E.g. Section 4.2.6 of the International Infrastructure Management Manual (IIMM 2011)) available to all relevant staff across the organisation.
Core	25		The Asset Management Plans define which asset groups are covered by each Plan in accordance with a clearly documented Infrastructure Asset Hierarchy.
			With respect to the content of the Asset Management Plans, they:
Core	26		a. Refer to Council's Asset Management Policy and Asset Management Strategy;
Core	27		b. Include all assets and document asset inventory information for the asset group/category as recorded in the asset register;
Core	28		c. Document the asset hierarchy within each asset group;
Core	29		d. Document the current condition of assets;
Core	30		e. Document the adopted useful lives of assets;
Core	31		f. Include risk assessment and criticality profiles;
Core	32		g. Provide information about assets, including particular actions and costs to provide a defined (current and/or target) level of service in the most cost effective manner.;
Core	33		h. Include demand forecasts including possible effects of demographic change and demand management plans;
Core	34		i. Address life cycle costs of assets;
Core	35		j. Include forward programs identifying cash flow forecasts projected for:
Core	36		i. Asset Renewals;
Core	37		ii. New Assets and Upgrades of existing assets;
Core	38		iii. Maintenance expenditure;
Core	39		iv. Operational expenditure (including depreciation expense);

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Core	40		k. Address asset performance and utilisation measures and associated targets as linked to levels of service;
Core	41		l. Include an asset rationalisation and disposal program; and
Core	42		m. Include an asset management improvement plan.
Core	43		n. Include consideration of non-asset service delivery solutions (leasing private/public partnerships)
Core	44		o. Recognise changes in service potential of assets through projections of asset replacement costs, depreciated replacement cost and depreciation expense.
Core	45		p. Include consideration of possible effects of climate change on asset useful lives and maintenance costs
Core	46		The Asset Management Plans link to the Council's Asset Management Policy, Asset Management Strategy, Strategic Longer Term Plan, Long Term Financial Plan and other relevant Council Policy objectives.
Core	47		The Asset Management Plans have all been prepared in association with community consultation.
Advanced		25	Asset Management Plans include future demand projections and forecasts based on population and demographic projections.
Advanced		26	Asset Management Plans are influenced by the level of community enquiry – Feedback on Customer levels of service.
Advanced		27	Asset Management Plans include the financial requirements to meet target levels of service levels for at least the next 10 years for each asset class and are correlated with the data in the Long Term Financial Plan.
Advanced		28	Asset Management Plans include a process for optimising decisions to obtain the best value outcome for defined levels of service utilising scenario modelling and tradeoffs.
Governance and Management			
Core	48		Council has mechanisms in place to provide high level oversight by the Council, CEO/GM and Executive Management Team, for development and implementation of the Asset Management Strategy and Asset Management Plans.
Core	49		Roles and responsibilities are clearly defined in a matrix or policy, identifying positions responsible for determining levels of service and positions responsible for managing the assets to meet service delivery needs.
Core	50		The staff structure and position descriptions clearly define asset management functions, responsibilities and skill requirements for managing all asset classes.

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Core	51		Council has a documented process for making capital investment decisions, which is driven by Council's Strategic Longer Term Plan, Long Term Financial Plan and the Service Plan and explicitly details the impacts on the future operations and maintenance budgets, "Whole of Life" costs and risk management assessments.
Core	52		Council involves all its departments in Asset Management.
Core	53		Council has an Asset Management Steering Committee, with cross functional representation and clearly defined and documented terms of reference, focussed on coordinating the linkages between service delivery and asset management implementation.
Core	54		There are internal processes to promote Asset Management across Council
Advanced		29	Accountability mechanisms are maintained to ensure that Council resources are used optimally to address Council's strategic asset management objectives, as detailed in the Asset Management Strategy and Asset Management Plans.
Advanced		30	Council utilises their Infrastructure Asset Hierarchy as a basis for consistent reporting across the organisation.
Advanced		31	Community levels of service and technical levels of service are monitored and reported to the Executive Management Team and Council.
Advanced		32	When the Council and Executive consider the annual Capital Works Program, they prioritise works based on cost/benefit assessments (including risk) with resource implications reflected into the Long Term Financial Plan.
Advanced		33	The Executive and Council are provided with an annual 'State of the Assets' report covering asset condition, asset performance, intervention levels, level of service monitoring and future financial sustainability options and consequences.
Advanced		34	Council has an Internal Audit Committee with competency to understand advanced asset management and the Internal Audit Committee provides an independent review and annual report on asset management performance across the whole organisation to the Council.
			Levels of Service
Core	55		Council has Service Plans for each of its services which have been developed in consultation with the community.
Core	56		Council has undertaken the process of defining, quantifying and documenting current community levels of service and technical levels of service, and costs of providing the current levels of service.
Core	57		Current and target levels of service (for both community levels of service and associated technical levels of service) are clearly defined in each Asset Management Plan.
Core	58		Technical levels of service are incorporated into service agreements and/or maintenance, operational and capital renewal procedures.

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Advanced		35	Council has undertaken the process of identifying the costs associated with each level of service, including the increased cost or decreased cost associated with increasing or decreasing each level of service respectively to assist in scenario modelling.
Advanced		36	Target community levels of service are defined through community consultation, considering population and demographic change projections, climate change, trend analysis and customer feedback and requests.
Advanced		37	Council has a communication plan to communicate information on infrastructure service delivery issues and Councils management of these issues to external stakeholders,
Advanced		38	The cost of maintenance and operational activities are reported against adopted levels of service.
Advanced		39	Council, in conjunction with the community, regularly reviews its community levels of service and technical levels of service, to determine the financial impact of a change in service levels. If a change occurs this is then reflected into the Asset Management Plan and Long Term Financial Plan.
			Data and Systems
Core	59		Council has a consolidated, integrated, accurate, up to date and complete componentised asset register with the required functionality to ensure security and data integrity, which includes all information about each asset sorted by asset group.
Core	60		There is a common corporate data framework used across all asset groups, which is defined by Council's Infrastructure Asset Hierarchy.
Core	61		Council has documented repeatable methodologies to carry out consistent asset condition surveys and defect identification assessments, as documented in a Condition Rating Assessment Manual for applicable asset classes.
Core	62		Council's asset financial reporting functionality is comprehensive and includes audit trails, depreciation calculations, reporting thresholds and records of acquisition and disposal of assets
Core	63		Council's systems, procedures and processes allow it to benchmark its asset management performance against like Councils over time.
Core	64		Asset Management systems have the functionality to generate maintenance and renewal programs and produce associated cash flow forecasts.
Core	65		Council has defined and documented procedures for determining asset replacement and treatment unit rates, which are then stored in Council's Asset Management system.
Core	66		Council has a defined process for operations, maintenance, renewal and upgrade planning for its existing assets.
Advanced		40	Asset data is available to operations, design and planning staff across services areas when planning and undertaking works.
Advanced		41	Asset renewal funding requirements and funding gaps are determined utilising up to date asset condition information and scenario modelling used to optimise life cycle costs with risk tradeoffs. Scenarios include the effects of climate change and demographic change.

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Advanced		42	Asset Management systems have risk management functionality available to predict criticality of assets, record risk assessments, risk treatment, the effect of climate change on risk, treatment costs and residual risk.
Advanced		43	Council records the results of asset condition surveys and defect assessments against individual assets, linked to the componentised inventory in the asset register. Time series condition data is maintained to allow monitoring of asset performance.
Advanced		44	Asset Management systems are able to predict asset life based on various assessment factors and compare actual against predicted deterioration behaviour.
Advanced		45	Council's Asset Management system can generate works orders based on intervention levels and customer requests which are also linked to the asset register. It has the capacity to monitor completion targets and perform facilities management functions.
Advanced		46	Council's Asset Management system is integrated with other corporate knowledge systems such as the finance, GIS and property information systems.
Advanced		47	Functionality of Council's Asset Management systems includes the ability to generate maintenance and renewal programs based on available budget and future condition profiles, to generate scenario specific cash flow forecasts and to generate optimised programs.
Advanced		48	Council's Asset Management systems are used to monitor asset performance over time.
Advanced		49	Council has documented data standards for inclusion in Asset Management systems upon the commissioning of new (and/or modified) assets.
Advanced		50	Council benchmarks its infrastructure funding gap against State and National indicators.
Advanced		51	Council's Asset Management system used to manage operations and maintenance functionality is driven by an asset knowledge management strategy, with specialised functionality for each service area to monitor operations and maintenance costs and trends.
Advanced		52	Data is available and accessible to enable performance measurement and reporting against Key Performance Indicators used to measure levels of service. Processes and information are driven by an asset knowledge management strategy linked to the Asset Management Plans and the Long Term Financial Plan.
Advanced		53	Data and systems allow projections which inform a range of service provision scenarios and costs. Adopted scenarios are incorporated into Asset Management Plans and the Long Term Financial Plan with an annual review in line with legislative requirements and policy papers issued by State Government
			Skills and Processes
Core	67		Council has a process to review and update the Asset Management Strategy on a maximum of a 5 year cycle. The Asset Management Strategy is to be formally adopted by Council.
Core	68		Council has a process to review and update Asset Management Plans for all asset groups on a maximum of a 3 to 4 year cycle consistent with the Council election cycle. Asset Management Plans are formally adopted by Council.

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Core	69		Council has a process to identify operational risks, assign responsibilities and monitor risk treatment actions all recorded within a risk register.
Core	70		Council has a process to annually review and update the financial forecasts for all asset classes and update the Long Term Financial Plan.
Core	71		Council has assessed the skills and knowledge required to perform asset data management activities, conduct financial reporting valuations and develop Asset Management Plans. Council has a current asset management skills matrix. Staff training needs have been identified and training scheduled.
Core	72		Council has a defined methodology for assessing the Remaining and Useful Life, Residual Value and Depreciation Method of assets.
Core	73		Council has a process to collect and record asset data into an Asset Management system upon the commissioning of new (and/or modified) assets, including built and contributed assets.
Core	74		Council has formal processes for the handover of assets to asset custodians/owners.
Core	75		Council has a process to communicate the financial implications of the Asset Management Plans to internal and external stakeholders.
Core	76		Council provides ongoing training programs for councillors, council management and officers on key asset management topics.
Advanced		54	Following each Annual Budget cycle, Asset Management Plans and the Long Term Financial Plan are updated to reflect the current financial position and to maintain currency between all documents.
Advanced		55	Council has a process which incorporates research into the determination of asset lives based on condition and consumption rates including the effects of climate change.
Advanced		56	Council has a service rationalisation process linked to a Disposal Policy that identifies any services (and associated assets) that are surplus to community needs.
Advanced		57	Council has a documented process that identifies the outcomes of service delivery reviews for input into Asset Management Plans and the Long Term Financial Plan.
Advanced		58	When undertaking operations and maintenance activities there is a process to allow staff to communicate asset related issues to other service areas.
Advanced		59	There is a process to analyse risks and incorporate risk mitigation strategies into contingency plans within the planning cycle.
Advanced		60	Asset failures and causes of failures are recorded and analysed to identify failure trends and asset group rectification strategies.
Advanced		61	Council has a process whereby community enquiry and operational response issues are linked to individual assets.

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Advanced		62	Council has an Optimum Decision Making framework to ensure consistent decision making. The Optimum Decision Making framework considers multivariable criteria linked to service and performance standards. There is a shift in emphasis from asset condition to service performance and value.
Advanced		63	Capital Works are prioritised based on the application of business cases incorporating whole of life costing, risk and benefit quantification and all data used in decision making is documented and recorded.
Advanced		64	Staff are trained in best practice operating and maintenance procedures and activities.
			Evaluation
Core	77		Council has a documented evaluation process by which asset management improvements are identified, timeframes established, resources allocated, actioned, monitored and reported to the Executive Management Team and/or CEO
Core	78		Technical levels of service are monitored and performance reported.
Core	79		Community levels of service are monitored and performance reported.
Advanced		65	Council has a documented evaluation process by which asset management improvements are identified, timeframes established, resources allocated, actioned, monitored and reported to the Internal Audit Committee and Council
Advanced		66	Qualitative Key Result Areas (KRA's) are set for Community levels of service. KRA's are monitored, measured and reported to Council, against time based 'targets'.
Advanced		67	Quantitative Key Performance Indicators (KPI's) are set for Technical levels of service. KPI's are monitored, measured and reported to Council against time based 'targets'.
Advanced		68	Council undertakes an annual audit within the organisation to report on trends on Triple Bottom Line/Quadruple Bottom Line service delivery and accompanying financial sustainability compared to the Strategic Longer Term Plan.
Advanced		69	Council benchmarks its asset management performance improvement against State and National indicators and reports annually on its asset management improvement performance against set targets.

APPENDIX E

Report from the National Forum

The forum to consider the Discussion Paper was held on Wednesday 18 and Thursday 19 May 2011 at Hotel Grand Chancellor, 131 Lonsdale St, Melbourne.

PRESENT

Mervyn Carter, Department of Regional Australia, Regional Development and Local Government
Brett Harrison, Department of Regional Australia, Regional Development and Local Government
Andy Hrast, Australian Local Government Association
Karen Legge, NSW Division of Local Government
Chris Duff, NSW Division of Local Government
Brian Jenkins, LGMA Finance Professionals Group
Shaun McBride, Local Government and Shires Association of NSW
Sascha McBride, Local Government and Shires Association of NSW
John Hennessy, Municipal Association of Victoria
Ian Mann, Consultant to Municipal Association of Victoria
Paul Roche, Local Government Victoria
David Dobbs, Department of Local Government and Planning Qld
Natalie Kent, Local Government Association of Queensland
Mark Lyons, Qld Local Government Accountants Association
Michelle Walker, Qld Local Government Accountants Association
John Wright, Office for State/Local Government Relations, South Australia
Bruce Fleming, Office for State/Local Government Relations, South Australia
Alan Shaw, WA Department of Local Government
Michelle MacKenzie, WA Local Government Association
Greg Brown, Local Government Division, Department of Premier and Cabinet, Tasmania
Sue Grau, Local Government Association of Tasmania
Tony Tapsell, Local Government Association of the Northern Territory
Melissa Gibbs, Australian Centre of Excellence for Local Government
Alex Gooding, Consultant to ACELG
Chris Champion, Institute of Public Works Engineering Australia
Leon Patterson, Institute of Public Works Engineering Australia
Peter Way, Institute of Public Works Engineering Australia
John Howard, Consultant to Institute of Public Works Engineering Australia
Paul Roche, Local Government Victoria (Day 2)

Following are the Resolutions of the NAF Forum held in Melbourne 18/19 May 2011

ISSUES

RESOLUTIONS

1. Reporting Levels and Access to Data

Agreed

- Nationally accepted assessment framework,
- States use framework to collect information,
- Council can access individually to assess their maturity at any time,

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- States report to Commonwealth on progress in implementing National Frameworks.

2. Voluntary or Compulsory Completion of Survey by Councils

AGREED

- Participation is voluntary,
- State be able to input data to portal in bulk,
- Councils can enter data individually.

3. Self-assessment or audit (facilitated assessment)

AGREED

- Self-assessment with endorsement by CEO as a true and fair view, or
- Facilitated self-assessment with endorsement by CEO as a true and fair view.

Depending on the approach of State improvement programs

4. Core v's Core and Advanced and staging implementation

AGREED

- Focus on Core maturity level,
- Provide Core and Advanced on the portal. Users can only see the Advanced questions and analysis results if they turn 'Advanced' on,
- Provide for future upgrade to Core and Advanced levels.

5. Staging of Implementation

- Final discussion paper
- Circulate final proposal paper to all persons at this Forum,
- Circulate Business Rules and get feedback,
- Implementation proposal to LOGJOG,
- Development on On-Line portal (beta).

ISSUES DISCUSSED

6. Long Term Financial Planning

AGREED

- Review and improve questions on LTFP – maintain same number of questions.

7. Comments on questions

AGREED

- Reviewed questions be circulated with draft proposal paper for comment.

8. External factors (inc climate change, demographics)

AGREED

- Expand question on external factors to specify key items – have key external factors been considered and included in AM Plan.

9. Implementation in use of the Tool

NOTED - Portal and national dataset may provide improved national data.

AGREED

- Include in guidelines that the 'Council' means the elected members.

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10. Training for Councillors

AGREED

- Investigate including value proposition and benefits to all parties in Proposal Paper.

11. Community Engagement

AGREED

- States analyse data to suit their needs.

12. Project Future Actions

- Meeting Notes on Forum outcomes back to States and Territories,
- Seek feedback on questions,
- Draft Business rules around data access and governance circulated for comment,
- Update Discussion Paper to Proposal paper.

APPENDIX F Business Rules

1. DATA INPUT
2. DATA ACCESS
3. DATA SECURITY
4. DATA RECORD SAVING
5. RECORD AGGREGATION
6. DATA INTEGRITY
7. TRAINING

Introduction

ACELG will develop a National Assessment Framework (NAF) as an online portal. An individual location in the Database will be created with log-on and password access for each local government organisation in Australia, each State or Territory Local Government Department and each Local Government Association.

ACELG, through its consortium partner the Institute of Public Works Engineering Australia (IPWEA), will be the custodian of the Database and will ensure that the data and records will only be used in accordance with these Rules.

The NAF will provide local government in Australia with a nationally consistent means to measure asset management and financial planning maturity progress towards best practice. The primary objective is that all local government councils will recognise the advantages and be encouraged to make use of this tool. The significant advantage to local government councils will be to give better understanding of the issues and to help the organisation to focus limited resources towards sustainability and improvement.

Summary

Following is a summary of all the Business Rules proposed for the National Assessment Frameworks:

Rule: BR 001	The use of the NAF will be made freely available to local governments.
Rule: BR 002	Data may be input into the NAF On-line Portal by each local government organisation
Rule: BR 003	Data in an aggregated form may be uploaded into the NAF On-line Portal by a State or Territory Local Government Department or Local Government Association.
Rule: BR 004	Data may be put into “Core” only or “Core and Advanced” questionnaires.
Rule: BR 005	Individual records created from data input by local government organisations will be kept confidential.
Rule: BR 006	Local government organisations, state jurisdictions, local government associations, ACELG and its partners will be able to access aggregated data at a local, regional state and national level and in Commonwealth local government classification groupings.
Rule: BR 007	Records and data will not be used to compare individual local government organisations.
Rule: BR 008	ACELG will ensure that the data is kept secure
Rule: BR 009	A local government organisation Chief Executive Officer (CEO) will be responsible

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	for the security of the organisation’s individual NAF log-on and password access.
Rule: BR 010	Records will be retained on the database to allow assessment of trends analysis and reporting.
Rule: BR 011	Local government organisations will be able to undertake a new questionnaire at any time.
Rule: BR 012	Records will be aggregated and reported at regional, state/territory and national levels or in Commonwealth local government classification groupings.
Rule: BR 013	In the circumstances where a state/territory local government department or local government association provides data for bulk uploading for local government in their jurisdiction or membership, then local government organisation’s individual records, if available, should not be overwritten.
Rule: BR014	The data on the NAF reflect a true and fair position of local government asset management and financial sustainability maturity.
Rule: BR015	ACELG is not responsible for providing training for the use of the NAF assessment tool. However written guidelines will be made available.

1. DATA INPUT

Rule: BR 001. The use of the NAF will be made freely available to local governments.

Description: Local government organisations will input data and utilise the reports and comparative data on a freely available basis. Full participation is strongly encouraged for local government organisations in the interests of capacity building.

Rule: BR 002. Data may be input into the NAF On-line Portal by each local government organisation.

Description: Each local government organisation will have individual secure log-in access to the on-line portal via individual username and password. Local government organisations will log-on to the Portal via the NAF website and input data by answering the questionnaires. Input may be completed in one or several sittings. The data will be added into a record and reports will be produced. Groups of records will be tagged as to whether they have been certified by the local government organisation’s Chief Executive Officer.

Rule: BR 003. Data in an aggregated form may be uploaded into the NAF On-line Portal by a State or Territory Local Government Department or Local Government Association.

Description: A secure location with log-on/password is created for each State, Territory local government department and local government association. Where State or Territory local government departments or local government associations collect compatible data, it may be input via an aggregated form. This will not preclude local government organisations in those States or Territories from inputting their own individual data and creating their own individual Records.

Rule: BR 004. Data may be put into “Core” only or “Core and Advanced” questionnaires.

Description: After log-on a local government organisation will have direct access to the “Core” questionnaire. Access to the “Core and Advanced” questionnaire is available by selecting the “Advanced” tab on the home page.

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2. DATA ACCESS

Rule: BR 005. Individual Records created from data input by local government organisations will be kept confidential.

Description: The Records and reports are created in the NAF system to give information to the local government organisation to assist it with Asset Management and Financial Planning maturity gap analysis and to prioritise improvement. Records are confidential to that organisation but may be aggregated.

Rule: BR 006. Local government organisations, state jurisdictions, local government associations, ACELG and its partners will be able to access aggregated data at a local, regional, state and national level and in Commonwealth local government classification groupings.

Description: Data input into the NAF system will be aggregated and reports available at a regional state and national level and in Commonwealth local government classification groupings. This will enable a local government organisation to compare its standing with its peer organisations. Along with its own internal analysis using the NAF, this will assist a local government organisation in its Asset Management and Financial Planning journey to direct its resources to the areas of greatest need. It will also allow States, Territories, local government associations and the Australian government to assess the effects of their improvement and capacity building programs.

Rule: BR 007. Records and data will not be used to compare individual local government organisations.

Description: ACELG and its partners, the States, Territories and Australian Government and local government associations will ensure that the data is not assembled in a way which may result in a comparison of individual councils or a “league table”. It will be critical to the success of the NAF project that this does not occur as it may discourage local government organisations from utilising and taking advantage of the NAF.

3. DATA SECURITY

Rule: BR 008. ACELG will ensure that the data is kept secure.

Description: The website is hosted and administered by ACELG or its consortium partners on behalf of ACELG. Access will be by log-on and password. Access will be limited to local government organisations, State Territory and Australian Government and local government associations. ACELG may publish reports and analysis of aggregated data.

Rule: BR 009. A local government organisation Chief Executive Officer (CEO) will be responsible for the security of their individual NAF log-on and password access.

Description: The CEO shall ensure that the local government organisation’s access to the NAF is restricted to appropriate officers.

4. DATA RECORD SAVING

Rule: BR 010. Records will be retained on the database to allow assessment of trends analysis and reporting.

Description: A local government organisation, state, territory government and local government association will be able to view each record that it has produced in order to assess improvement trends and produce reports.

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Rule: BR 011. Local government organisations will be able to undertake a new questionnaire at any time.

Description: Local government organisations will be able to complete as many questionnaires as desired. Annual aggregated data reports will use only the latest annual questionnaire completed.

5. DATA RECORD AGGREGATION

Rule: BR 012. Records will be aggregated and reported at regional state and national levels or in Commonwealth local government classification groupings.

Description: Individual local government completed records will be aggregated to provide a combined report. Individual local government records will not be able to be identified in these aggregated reports. Reports will be available for viewing on the NAF website. .

Rule: BR 013. In the circumstances where a state/territory local government department or local government association provides data for bulk uploading for local government in their jurisdiction or membership, then local government organisation's individual records, if available, should not be overwritten.

Description: A local government organisation may opt to allow its records to be available to its respective state/territory local government department or association. In these circumstances, individual inputted records should not be overwritten.

6. DATA INTEGRITY

Rule: BR014. The data on the NAF should reflect a true and fair position of local government asset management and financial sustainability maturity.

Description: The CEO of each local government organisation is required to ensure that the delegated persons within the organisation are knowledgeable and competent to complete the questionnaire. There will be a facility for acknowledgement that a CEO has certified a questionnaire as a true and fair response.

7. TRAINING

Rule: BR015. ACELG is not responsible for providing training for the use of the NAF assessment tool. However written guidelines will be made available.

Description: The completion of the NAF questionnaire will not be complex. On-line instructions will be available for completion of the questionnaire on the NAF website. Local government associations and local government professional associations will be able to provide promotion and mentoring and training assistance.



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