

MINUTES

ASSET MANAGEMENT GROUP MEETING No. 28

Friday 13 May 2016 at 10am

Committee Meeting Room, Cairns Regional Council, Spence Street, Cairns

1. Opening Remarks and Welcome – 10 am

2. Attendance and apologies:

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|-----------------------|--------------------|-----------------------------------|
| Attendance: | Steven Cosatto | FNQROC |
| | Steve Albrecht | Cairns Regional Council |
| | Ian Pearl | Cairns Regional Council |
| | Justin Fischer | Cassowary Coast Regional Council |
| | Jacqui Perkowicz | Mareeba Shire Council |
| | Tony Hughes | Tablelands Regional Council |
| | Perry Clunn | Mareeba Shire Council |
| | Colin Gray | Hinchinbrook Shire Council |
| | Teresa Schmidt | FNQROC |
| | Margery Jones | Cairns Regional Council |
| | Simon Michie | Douglas Shire Council |
| | William Wong | Cairns Regional Council |
| | Michael Czarnecki | Cook Shire Council |
| | Jodi Halpin | Hinchinbrook Shire Council |
| | David Laakso | Hinchinbrook Shire Council |
| | Merrilyn Cox | Hinchinbrook Shire Council |
| | Martin Cookson | Cook Shire Council |
| | Michael Czarnecki | Cook Shire Council |
| | Dawn Lake | Yarrabah Aboriginal Shire Council |
| | Chris Mitchell | Tablelands Regional Council |
| | Helius Visser | Cairns Regional Council |
| | Michael Ringer | Cairns Regional Council |
| | Cherryl Dela Cruz | Cairns Regional Council |
| | Dan Goodhew | Tablelands Regional Council |
| | Georgie Cole | Tablelands Regional Council |
| Observers: | Charles Strickland | Qld Audit Office |
| | Chantelle Hanna | Qld Audit Office |
| Apologies: | Michael Mathews | Douglas Shire Council |
| | Darlene Irvine | FNQROC |
| | Anthony Archie | Mareeba Shire Council |
| | Amanda Coleman | Tablelands Regional Council |

3. QLD Audit Office presentation - QAO's perspective on the implications of AASB's residual value decision - Charles Strickland (QAO Director Financial Audit Services) and Chantelle Hanna (QAO Acting Audit Manager).

Additional topics raised, by members, for discussion.

- a) Performance Audits – What can councils expect?

- b) Revaluations conducted internally/externally – appears that there is less confidence in the revaluations prepared within councils.
- c) Update on the QAO perspective on the Road Asset Valuation Project (RAVP) - Members have found that on ground QAO staff have been somewhat unaware of the project and the fact that QAO had audited and been a party to the methodology.

General discussion topics during presentation:

Disaggregation of assets:

- Depreciation
- Extension of asset lives due to maintenance works
- Componentisation
- Residual values of infrastructure assets
- QAO moving away from short cut methods to properly componentising and describing assets
- Cost of brownfield as opposed to greenfield costs.

Performance audits:

- Rolling three year strategic audit plan
- Performance audits focus on:
 - Efficiency
 - Effectiveness
 - economy
- 2016-19 plan is out for consultation, aim to finalise late June
- Aim to have a performance audit in the Local Government sector each year.
- Performance audit process – overall process, project dependent, may take up to nine months
- Audit phases
- Up to 6 councils per year may have a Performance Audit
- Current focus long term financial sustainability of councils.

Road Asset Valuation Project (RAVP):

- Product is not endorsed by QAO.
- QAO does consider the tool useful for councils.

Revaluations:

- What it should of cost to construct.
- Or Actual cost – Actual cost.

Consultants conducting valuations:

As councils are ultimately responsible for data produced, they should discuss with valuers council's expectations prior to revaluations commencing.

ACTION: Charles Strickland to advise group regarding cost of removal of existing asset – is it to be added to the unit rate.

ACTION: Steve Cosatto to distribute Qld Audit Office presentation to RAMG.

ACTION: Steve Cosatto to draft discussion paper for Qld Audit Office identifying issues facing councils relating to asset de-componentisation and present at next meeting.

Presentation finished at 11:40.

4. Tablelands Regional Council (TRC) presentation Mobility Application:

Dan Goodhew and Georgie Cole presenting on behalf of TRC.

ACTION: Steve Cosatto to distribute TRC presentation to RAMG.

Presentation finished at 1:10.

5. Developing response to FNQROC Board on understanding our Infrastructure funding gap.

Steve Cosatto provided update to the group regarding the review of the “Regions Infrastructure Funding Renewal gap.

Background:

Direction from the ROC Board, that the RAMG develop a report advising:

- What is our infrastructure funding renewal gap in the next five, 10 and 20 years? and
- What is Councils’ capacity to raise revenue to meet this infrastructure funding renewal gap?

To date the group has developed

- Regional Benchmarking – asset lives and residual values for transport, water and waste water assets.
- Conducted a “Sustainable Service Delivery Challengers and Opportunities” – Workshop with Jeff Roorda and Associates
- Work shopped an Issues paper.

Issues workshop identified:

- Varying confidence Levels of Asset Management Plans/Capital Expenditure Programs/ integration with Long term Financial Plans
- Councils perceived as Unsustainable
- Limited or no ‘stick’ for councils to develop and incorporate robust Asset Management Plans.
- Appropriate resourcing/support.
- Understanding the cost of our services and balancing these with the communities’ capacity and willingness to pay.

Actions from Issue Workshop (Meeting No.27 Nov-2015) were that Steve Cosatto continues review of FNQ Councils:

- Long term financial forecasting, contained within Council budgets and
- Community’s capacity to pay.

In terms of the Boards priority to understand the Infrastructure Funding Gap - there are a number of issues and anomalies that would influence the overall analysis for the region and as such could not be considered a true reflection of the Region as a whole.

These issues and anomalies identified are:

- Variation of Asset lives within region, refer Regional Benchmark register.
- Differing valuation methodologies utilised – Internal/External
- Varying levels of confidence in Long term plans and forecasts such as Cap Ex, AMP’s

- Influence of significant weather events and subsequent NDRRA funded construction.
- Councils varying quantities of ownership of assets per rate payer.
- Including the differing classes of councils within one discussion paper ie Coastal Provincial, Rural, Rural Remote and Indigenous.

Steve Cosatto advised that FNQROC would be drafting a discussion paper for the ROC Board. The discussion paper would highlight the issues and anomalies associated with the development of a regional “Infrastructure Funding Renewal” report.

ACTION: Steve Cosatto to draft “Infrastructure Funding Renewal” discussion paper for RAMG review.

ACTION: Steve Cosatto to distribute FNQROC Infrastructure Renewal Gap presentation to RAMG.

6. Review of future direction of Regional Asset Management group (RAMG).

Steve Cosatto advised that the primary objective/project of the RAMG has been the development of the “Infrastructure Funding Renewal” paper, refer previous item #5. With the action of drafting a paper identifying the issues/difficulties of producing such a regional document. It does mean that effectively the group is without a current project/objective. Therefore whilst at an operational level there may be many benefits for continuing the regional management group, strategically we would need to identify objectives/issues that we could address that would benefit the region.

General discussion:

- Consensus was that the group provided significant assistance to members in areas such as:
 - Regional benchmarking, networking, training, workshops and presentations such as today’s QAO’s.
- Asset Management profile within Local and State Governments has increased, eg State focus on whole of life Costings through Qld Treasury Corporation and Performance Audits from QAO
- Group identified possible opportunities such as:
 - Advocacy on behalf to the Region ie with QAO,
 - Development of a the group to of Regionalisation of methodologies frameworks
 - On line forum
 - Networking
 - Development of an issues paper facing councils regarding the difficulties and the resources (costs) required to meeting some of the AASB and therefore QAO requirements. Such as componentisation, calculation of residual values, revaluations, useful life reviews, internal valuations and the required justification demonstrating of why councils have adopted.
 - Comment that many of these activities were not producing any real direct benefit to councils or rate payers.
 - Paper may identify opportunities for Region to consider collaboration or sharing of services

- Depreciation is a major influence on councils and regionally there is an opportunity for additional networking and workshopping.
- Improving member councils ability to review levels of service, identification acceptable levels of risk regarding asset renewal etc.
- Workshop specifically addressing levels of confidence in long term planning/forecasts
- Regional committee to provide councils with a starting point for valuations these could be moderated within the group (councils do not have to accept those valuations) option for moderation within the group, development of regional guidelines regarding revaluation assumptions for consultants (refer QAO comment that - As councils are ultimately responsible for data produced, they should discuss with valuers council's expectations prior to revaluations commencing.
- Regularity of meetings.
- General consensus that considering the operational benefits to date four meetings per annum was not onerous.

ACTION: Councils to review opportunities for Regional Asset Management Group for consideration at next meeting.

- **Next Meeting – Date Claimer Friday 9 September Cairns.**

7. Meeting Close – 2:20pm

Summary of Actions:

| Action | Organisation responsible |
|--|--------------------------|
| Charles Strickland to advise group regarding cost of removal of existing asset – is it to be added to the unit rate. | QAO |
| Steve Cosatto to distribute Qld Audit Office presentation to RAMG. | FNQROC |
| Steve Cosatto to draft discussion paper for Qld Audit Office identifying issues facing councils relating to asset de-componentisation and present at next meeting. | FNQROC |
| Steve Cosatto to distribute TRC presentation to RAMG. | FNQROC |
| Steve Cosatto to draft “Infrastructure Funding Renewal” discussion paper for RAMG review. | FNQROC |
| Steve Cosatto to distribute FNQROC Infrastructure Renewal Gap presentation to RAMG. | FNQROC |
| Councils to review opportunities for Regional Asset Management Group for consideration at next meeting | All Councils |