

Queensland



Subordinate Legislation 1995 No. 165

Financial Administration and Audit Act 1977

PUBLIC FINANCE AMENDMENT STANDARD (No. 1) 1995

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Short title

1. This standard may be cited as the *Public Finance Amendment Standard (No. 1) 1995*.

Standards amended

2. This standard amends the *Public Finance Standards 1990*.

Commencement

3. This standard commences on 1 July 1995.

Amendment of s 102 (Interpretation)

4. Section 102(1)—

insert—

“**physical asset**”, in part 3, division 4 of the standards and the practice statements relating to the division, has the meaning given in section 342.¹

Insertion of a new pt 3, divs 4 and 5

5. Part 3, after division 3—

insert—

‘PART 3—FINANCIAL MANAGEMENT***‘Division 4—Management of physical assets*****‘Application of division**

‘**340.** This division applies to an accountable officer who, and a statutory body that, must set up a program management system under section 310.²

¹ Section 342 (Meaning of “physical assets”)

² Section 310 (Program management)

‘Purpose of division

‘341. This division’s purpose is to ensure each department and statutory body uses its physical assets economically, efficiently and effectively, under the service delivery strategy of the department or body’s strategic plan, to obtain the maximum benefits of its assets in delivering quality services.

‘Meaning of “physical assets”

‘342.(1) “Physical assets”, of a department or statutory body, means the assets of the department or body with a value equal to, or more than, the amount decided by the accountable officer or the body as the amount for the recording and valuation of non-current physical assets according to the deprival value principle.³

‘(2) The amount decided under subsection (1) must not be more than \$5 000.

‘Physical asset management system

‘343.(1) Each accountable officer and statutory body must, under the service delivery strategy of the department or body’s strategic plan, set up a system for the economic, efficient and effective management of the physical assets of the department or body (a **“physical asset management system”**).

‘(2) A department or statutory body’s physical asset management system must include the following for the department or body—

- (a) a physical asset strategic plan;
- (b) a process for evaluating new physical asset investments;
- (c) a process for managing existing physical assets.

‘(3) A department or body’s physical asset management system must be designed to ensure—

³ Further information about this principle and the way it is applied is available in the Treasurer’s policy called ‘Recording and valuation of non-current physical assets in the Queensland public sector’. Copies are available, without charge, from the Treasury Department at 100 George Street, Brisbane.

- (a) consistency with the strategic planning and resource management processes of the department or body (the “processes”); and
- (b) possible linkages between the system and processes are made.

‘Physical asset strategic plan

‘344.(1) A department or statutory body’s physical asset strategic plan must—

- (a) be consistent with the department or body’s strategic plan and approved forward estimates; and
- (b) include an analysis of the key issues likely to influence physical asset requirements in the medium to long term; and
- (c) include an assessment about whether existing physical assets are appropriate in relation to the relevant department or body’s strategic plan and client needs; and
- (d) include an assessment of issues about physical asset operation and maintenance, taking account of whole-of-life cost implications, and outline a strategy to deal with the assets; and
- (e) identify physical assets that are surplus to requirements and outline a strategy to deal with the assets; and
- (f) identify new physical asset needs including additional, replacement and upgrading requirements consistent with approved forward estimates; and
- (g) demonstrate adequate coordination with government priorities and planning at a statewide and regional level; and
- (h) identify service delivery needs that may be met by private sector involvement in the provision of infrastructure.⁴

‘(2) A physical asset strategic plan must be produced as a separate

⁴ Further information about the involvement of the private sector in public infrastructure is available in the Treasurer’s policy called ‘Private sector involvement in public infrastructure in Queensland’. Copies are available, without charge, from the Treasury Department at 100 George Street, Brisbane.

document.

‘(3) However, a physical asset strategic plan may be produced as part of a department or statutory body’s strategic plan for a year if—

- (a) the accountable officer or body does not expect the department or body’s spending on physical assets over the next 3 years to be more than \$30 000 000; and
- (b) the appropriate Minister approves of the inclusion in the strategic plan.

‘Timing of plan’s preparation and availability

‘345.(1) A physical asset strategic plan must be prepared annually as part of a department or statutory body’s strategic planning process.

‘(2) In preparing a plan, the accountable officer and body must consult with—

- (a) the appropriate Minister; and
- (b) other departments and statutory bodies with whom the accountable officer or body considers it is necessary or appropriate to consult to ensure adequate coordination of capital investment.

‘(3) An accountable officer of a department must consult with the Under Treasurer about the resource implications of the department’s proposed physical asset strategic plan.

‘(4) An accountable officer and statutory body must give the appropriate Minister the physical asset strategic plan for the department or body within 6 months after the end of the financial year of the department or body.

‘(5) Subsections (2)(a) and (4) do not apply to the accountable officer of the Queensland Audit Office.

‘Process for evaluating new physical asset investments

‘346. The process for evaluating new physical asset investments for a

department or statutory body⁵ must—

- (a) include an economic appraisal of all reasonable options for meeting identified needs of the department or body; and
- (b) provide for effective prioritisation of proposed new physical asset investments; and
- (c) use appropriate techniques and methods to achieve optimum value for money for proposed physical asset investments; and
- (d) provide for a postcompletion review of completed new physical assets to test actual performance against original objectives for the assets.

‘Report by accountable officer for each financial year

‘347.(1) Within 6 months after the end of the financial year for a department, the accountable officer for the department must give the Treasurer a list of all evaluations made in the preceding financial year of proposed new physical asset investments of more than \$1 000 000.

‘(2) The accountable officer must also give the Treasurer a document describing the processes and results of evaluations about a physical asset investment if the investment is estimated to be more than—

- (a) \$5 000 000 and is to be funded from the department’s capital base; or
- (b) \$1 000 000 and—
 - (i) is to be funded from specific budget funding; or
 - (ii) the Treasurer has asked for the document.

‘Process for managing existing physical assets

‘348. The process for managing existing physical assets must—

- (a) include systems for identifying, recording and protecting physical

⁵ Further information about this process is available in ‘Project evaluation guidelines’. Copies are available, without charge, from the Treasury Department at 100 George Street, Brisbane.

assets under sections 230 to 234;⁶ and

- (b) ensure the physical asset maintenance strategy is implemented.⁷

‘PART 3—FINANCIAL MANAGEMENT

‘Division 5—Commercialisation

‘Commercialisation of government services

‘350.(1) The accountable officer of a department must regularly review the department’s services to assess whether any of its services is suitable for commercialisation.

‘(2) A service, or part of a service, must be commercialised if—

- (a) the service or part is identified as suitable for commercialisation under a review; or
- (b) the appropriate Minister directs the accountable officer to commercialise the service or part.

‘(3) The way a service or part must be commercialised includes—

- (a) consulting with the Under Treasurer; and
- (b) having regard to the ‘Commercialisation of government service functions policy framework’.⁸

‘(4) In this section—

“commercialisation” means a process under which a department’s

⁶ Section 230 (Asset identification and control)
 Section 231 (Protection of assets)
 Section 233 (Position assessment)
 Section 234 (Loss and accumulated depreciation of assets)

⁷ A physical asset maintenance strategy is required under section 344(1)(d).

⁸ ‘Commercialisation of government service functions policy framework’ was tabled in the Legislative Assembly on 23 November 1994. Copies of the document are available, without charge, from the Treasury Department at 100 George Street, Brisbane.

consumption or delivery of a service is placed on a commercial footing in a competitive market environment even though the consumption or service is within the departmental structure.

“commercial footing”, for a department, includes making the department liable to pay to the State an amount as a dividend and an amount as a tax.’.

Amendment of sch 1

6. Schedule 1, part 3, after division 3—

insert—

‘DIVISION 4—MANAGEMENT OF PHYSICAL ASSETS

Discussion

1. *The management of physical assets forms, within the context of a department or statutory body’s program management, an integral part of the strategic planning, resource allocation and evaluative processes of the department or body. However in view of the amount of investment, its often intermittent nature and long term planning requirements, specific standards for physical asset management must be made.*

2. *Part 3, division 4 of the standards deals with physical asset management by certain accountable officers and statutory bodies. The approach taken by departments and statutory bodies may vary according to the type of activities carried out and the size and frequency of investment in physical assets.*

3. *Each accountable officer, and statutory body, to whom part 3, division 4 of the standards applies is responsible for setting up a physical asset management system. Part 3, division 4 of the standards requires that the asset needs of a department and statutory body be assessed and options analysed. The purpose of the assessment and analysis is to meet the needs of the department and statutory body while minimising the whole-of-life*

costs associated with the physical asset. Based on this assessment and analysis, physical asset investment, disposal and maintenance strategies must be developed for the long term and for the forward estimates period and documented annually in a physical asset strategic plan. Physical asset strategic planning is part of a department or statutory body's strategic planning process and must be linked with associated elements of its strategic planning, including, for example, finance, human resource planning, the physical asset strategy plans of other relevant departments and statutory bodies and regional planning strategies. Certain other processes are also mandatory, including, for example, reporting.

Practice statement—physical asset strategic planning

Process and documentation

4. Subject to part 3, division 4 of the standards, the physical asset strategic planning process to be adopted may be decided by the appropriate accountable officer or statutory body.

5. The physical asset strategic plan of a department or statutory body must be consistent with the department or statutory body's goals and service delivery objectives as established in the department or body's strategic plan. The plan must focus on the service delivery goals, with investment in physical assets being considered as one of a range of possible responses to the service delivery needs. The plan must demonstrate the linkage with associated elements of the department or body's strategic planning, including, for example, finance, human resource planning, the physical asset strategy plans of other relevant departments and statutory bodies and regional planning strategies.

6. The development and presentation of a physical asset strategic plan of a department or statutory body may include the following—

- (a) an overview of the extent to which the department or body's current physical assets are appropriate for its strategic plan and the physical asset needs over the medium to long term, given current policy settings and strategic directions;
- (b) an indicative program, consistent with the approved forward

estimates, highlighting major physical asset investments;

- (c) an analysis of broad needs or projects identified under paragraphs (a) and (b) that may be met by the private sector.

Overview analysis of needs and strategies

7. An analysis and documentation of the broad needs for physical asset investment over the medium to long term consistent with current policy settings and services strategy must be carried out. The analysis may consider—

- (a) the service environment, including, for example, the impact of population and distribution trends; and
- (b) the extent to which the current level and configuration of physical assets are appropriate for the department or statutory body's strategic plan and client needs, including an assessment of utilisation, valuation, functionality, location, whole-of-life costs and the extent to which the department or body's physical asset strategies complement the strategies of other relevant departments or statutory bodies; and
- (c) appropriate actions to be carried out if current physical assets are found to be inappropriate for service delivery needs, including options for dealing with assets that have not been adequately maintained and starting disposal action for assets found to be surplus; and
- (d) the investment needed to maintain the service potential of current physical assets including investment needed to replace and upgrade existing physical assets to maintain the service potential of the asset; and
- (e) apparent gaps between forecasted needs and current physical asset infrastructure, including, for example, a broad assessment of options available to meet the needs, for example, the sale of surplus assets, nonphysical asset solutions, project funding from existing forward estimates, private funding and other nonbudget financing.

Indicative program

8. From the overview analysis of the needs and strategies of a department or statutory body, the physical asset strategic plan must outline the department or statutory body's physical asset strategy in the medium to long term and identify and document major planned projects and related cost data, consistent with the approved forward estimates, over a minimum of a 3 year forward period and longer if appropriate.

9. The document may identify and briefly describe specific linkages, both in the long and short term, with the asset strategies of other relevant departments or statutory bodies and if cross portfolio benefits can be achieved. It must outline the department or body's physical asset acquisition, upgrade, maintenance and disposal programs.

10. A department or statutory body's physical asset strategic plan must provide a brief description of—

- (a) major individual physical asset projects, including, for example, projects costing \$5 000 000 or more; and
- (b) other spending on physical assets grouped on—
 - (i) a major category basis or a generic basis, including, for example, routine maintenance, plant and equipment, office refurbishment and minor works; or
 - (ii) a specific category basis, including, for example, primary school upgradings and secondary school upgradings; and
- (c) total spending on physical assets.

11. Accountable officers and statutory bodies must demonstrate the relationship of the projects to—

- (a) identified service needs; and
- (b) to the current forward estimates and projects that are not funded from the forward estimates.

12. Projects, or major categories of projects, that are not planned to be funded from the forward estimates must be specifically identified.

Potential private sector projects

13. Physical asset projects, or broad physical asset needs, with the potential, and appropriate, for private sector involvement must be identified, briefly described and documented.

Practice statement—evaluation of physical asset investment

14. Subject to part 3, division 4 of the standards, the processes used for the evaluation of physical asset investments may be decided by the accountable officer or the statutory body. However, the processes must be integrated with the relevant department or statutory body's strategic planning and resource management processes.

15. Each accountable officer and statutory body must—

- (a) ensure an economic appraisal of proposed new physical asset investment is carried out, including, for example, if asset investment is funded by borrowings, an assessment of whether future debt servicing costs are able to be met; and
- (b) ensure proposed new physical asset investments are prioritised considering the financial, economic, social, environmental and other effects of the investments, and funding is allocated in accordance with the priorities; and
- (c) consider promoting the use of value management appraisals of new physical asset investments to identify opportunities for improved design or functional efficiency, having regard to whole-of-life costs, and the quality of service delivery outcomes; and
- (d) must ensure a postcompletion review is carried out of completed physical asset projects, to test actual performance against original objectives for the asset.

Practice statement—management of existing physical assets

16. Subject to part 3, division 4 of the standards, the processes used for the management of existing physical assets may be decided by the accountable officer or the statutory body. However, the processes must be integrated with the relevant department or statutory body's strategic planning and resource management processes.

17. The management of existing physical assets must include the identification and recording of physical assets under sections 230 to 234 of the standards and associated practice statements, and a physical asset maintenance strategy.

18. A department or body's physical asset maintenance strategy must try to ensure the department or body's physical assets remain appropriate and productive at the lowest possible long term cost. Each accountable officer or statutory body must ensure a physical asset maintenance strategy is developed and linked with the department or body's physical asset strategic plan.

19. The physical asset maintenance strategy of a department or statutory body may include an analysis of the following—

- (a) the maintenance needed to maintain the service potential of the department or body's physical assets;
- (b) the investment needed to maintain the service potential of the assets under the department or agency's physical asset strategic plan;
- (c) consideration of the most cost effective ways of maintaining the department or body's physical assets;
- (d) the appropriateness of the current level and cost of maintenance in the context of the service potential and need for the department or body's physical assets;
- (e) appropriate criteria to assess maintenance priorities under the government policies and the department or body's strategic plan.

20. A department or statutory body's physical asset maintenance strategy may—

- (a) include an asset maintenance register to ensure assets are maintained as needed and maintenance costs are identified and recorded; and
- (b) evaluate and list maintenance projects according to appropriate maintenance criteria; and
- (c) identify assets for which the maintenance requirements warrant consideration of retirement or disposal of the asset and link to the department or body's physical asset disposal strategy.'.

ENDNOTES

- 1. Made by the Minister on 8 June 1995.
- 2. Notified in the Gazette on 9 June 1995.
- 3. Laid before the Legislative Assembly on . . .
- 4. The administering agency is the Treasury Department.