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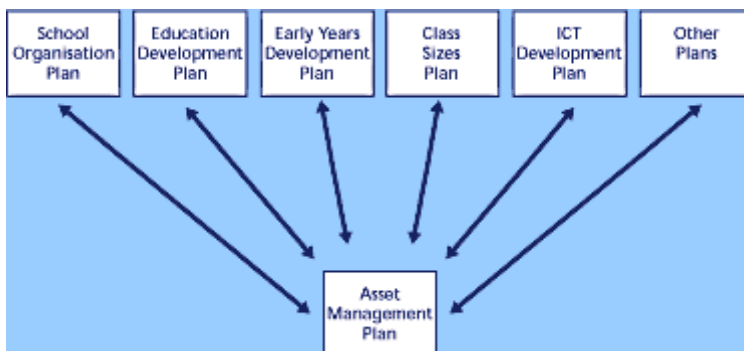
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## AMP's Integrative Role In UK Schools Capital Strategy

*Many agencies are struggling with the need to integrate the many and various plans that they are developing which relate to physical capital. Here is the solution developed in the UK Schools Capital Strategy.*

'The asset management planning processes and the underlying data will provide a basis for making decisions on spending priorities. To be effective, AMPs will need to reflect the needs of other plans, which Authorities are developing.

It follows that wherever those plans have capital consequences, there should be a cross reference to AMPs, since AMPs will be used to bring together and co-ordinate different needs for capital investment. AMPs are therefore key plans in terms of ensuring overall best value and improvements in standards from capital investment in buildings. ' *emphasis added*



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## UK CAPITAL STRATEGY

*One of the really useful contributions to asset management planning available on the web is the schools capital strategy of the UK Education Department. You will find it at [www.dfes.gov.uk/scs/contents.htm](http://www.dfes.gov.uk/scs/contents.htm)*

Two things mark it out as especially valuable:

- (1) It is interesting to read
- (2) It has lots of charts, forms, tools for adaptation (see *Measuring Suitability* on page 20-21 of this issue)

### 1. Common Problems

Problems facing schools in the UK are strikingly similar to those facing schools in Australia, Canada and the USA, namely:

- **Past under-maintenance**, combined with
- **Overall excess of school places**, with pockets of shortages in some areas (An Audit Commission report "Trading Places" estimated that up to 40% of unfilled school places could be removed cost-effectively, delivering a saving of £100m annually to the public purse.)
- **The need to modernise** to suit current teaching methods

*which can be summarised as*

- *Condition,*
- *Capacity and*
- *Suitability.*

### 2. Common Solutions

Perhaps not surprisingly, the solutions being put forward are also very similar

- A New Deal for Schools (ie more money for the worst affected schools)
- Private Sector Partnerships, and
- ***Extensive Use of Asset Management Planning***

and the emphasis is being put on AM planning.

The Capital Strategy Discussion Paper prepared by the Department of Education argues that

"Well designed buildings can cost significantly less to maintain than those which have been poorly designed. Planned repairs and maintenance tend to cost 25% less than emergency work. Significant improvements in energy efficiency are possible within the schools estate which would yield both savings in energy costs and reductions in emissions"

### 3. Pivotal Role for Asset Management Plans

#### *Co-ordinating Decentralised Decision Making*

'[Local Government] Authorities will have the overall responsibility for preparing AMPs, given Authorities' statutory duty for securing school places in an area. However, the outputs from AMPs must also be owned by schools and dioceses, with a consensus obtained on the prioritisation criteria. Decision-making processes must be transparent to governors, head teachers and dioceses. There should be demonstrable fairness of treatment between different categories of schools.'

#### *Guidance for Private Partnership Projects (PPPs)*

'The information from AMPs will help Authorities and schools to judge in which circumstances PPPs are likely to be an appropriate method of procurement, and allow potential private sector partners to form a view about opportunities for partnership projects

AMPs should build on, and encourage, good practice in the effective management of new and existing school assets, and be fully complementary with the Best Value Initiative.'

('Best Value' is a co-operative approach that has succeeded CCT (Compulsory Competitive Tendering) in the UK. SAM will report on UK experience with Best Value in May.)

#### **Appraising Plans**

Having them is not enough. What happens next? See UK Education's Appraisal Process, p.p 21-22

## ECONOMIC LIFE

(under the microscope)

We normally ignore the demand aspects but do so at our peril. Let us examine *piece by piece* this basic definition - a good one - taken from JR and JA White - *Capital Investment Decision Analysis for Management and Engineering*, Prentice Hall Canada 1980 p 151.)

"Economic Life (service life) is the period of time from the date of installation to date of retirement from the primary intended service of the asset."

### *Economically dead, physically still alive!*

Many assets pass through a series of 'lives'. For example a generator that starts its life as a 'base-load generator' may, after about 20 years, come to the end of its life in that function and move to a 'mid-load function' for, say, about 10 years, and then be retained for 'peak load' use only, or even mothballed for severe emergencies.

It may look like the same asset but it is really three separate assets. The only way to model the replacement of such assets is to model the replacement of function. Thus one would plan for the replacement of the 'base-load' function with a new generator at the end of 20 years and, at the same time, plan to add the old 'base-load' generator to the 'mid-load' stock.

It is not only generators that have successive different lives, in effect becoming different 'assets'. This also applies to school buildings. Many school buildings that started life as teaching spaces have now been downgraded to 'occasional use' or even 'storage'

**The point is: when the function changes, the asset changes. It should be re-valued at the value appropriate to its new function and new 'economic life' in this function assigned.**

"An estimate of the economic life may be based on the period which maximises the annual worth of the proposed asset, assuming that the asset's service will be needed for that long and that no superior alternatives become available during that period."

### *Worth not Costs!*

Note that the definition refers to 'annual worth' and not 'annual costs'. Also note that we are trying to maximise annual worth and not minimise annual costs!

As an asset ages not only does the cost of maintenance generally increase, but its earning capacity diminishes. It becomes less fashionable or less functional (in the sense of meeting current requirements which may be different from the requirements that existed when the asset was acquired).

Whether the asset is an income earning asset like a generator or a non-income earning asset like a school building, the same 'annual worth' analysis can be done. In addition, one has to consider those 'superior alternatives (superior either through reason of technological change or demand change) that may be able to provide an even higher annual worth.

**The economic life is up when the combination of rising costs and declining income/benefits results in the annual worth of the existing asset being outranked by a new one!**

"Retirement, however, is signalled ... when the annual worth of a prospective new asset becomes greater than the annual worth of retaining the present asset for 1 or more years. Retirement may constitute either disposal or demotion of the asset to a lower, less useful, grade of service than was originally intended (such as standby service)"

### *Need for continual re-assessment*

"Annual worth" is the net present value of the future stream of net revenues/benefits (i.e. receipts less expenses). Traditionally, we assigned

an economic life (usually for depreciation purposes) and then ignored it but today there is a trend to re-examining asset lives. Ideally, this should be done from the perspective of both costs and benefits.

**Watch for our special issue on  
“Re-Lifing” coming up soon!**

***More Information on  
Asset Management Plans  
In UK Education System***

**[www.dfec.gov.uk/amps](http://www.dfec.gov.uk/amps)**

The End of Economic Life is generally signalled by one of the following

**Sufficiency** (insufficient or excess capacity)

**Condition** (asset poor or degraded)

**Suitability** (asset may be in excellent condition, have sufficient capacity, and yet be inappropriate for the current requirements).

If you would like to see how the UK School System is intending to measure these things (complete with templates, explanations and discussion) the website above would repay a visit—and serious study.

***And for the best developed  
Asset Management Planning Website  
in Australian Education see***

**[www.tased.edu.au/](http://www.tased.edu.au/)**

**Distributed Asset Lives**

A major improvement over the first generation predictive renewal models is the use of ‘distributed lives’. Economic life is a class average. Some assets within the class will come to the end of their individual economic lives before this class average and others will exceed it. The new modelling framework allows councils to input standard deviations if known.

**AMP TIMESCALE**

**How far forward should your AMP look?**

“This will need to reflect the variety of circumstances across Authorities. Five years should be a reasonable period to programme and budget for repair and maintenance works, and for most small to medium sized capital schemes. This is short enough for schools to see that progress is being made but long enough to ensure that new priority lists are not being drawn up too frequently. This period would also complement the system of quinquennial condition surveys and five-year rolling maintenance programmes that many Authorities operate. All aspects of AMPs will be subject to changing needs, priorities and resources, and it will be necessary to keep AMPs updated on a regular annual basis, with a more strategic review every fifth year.”

UK Education Capital Strategy

**Municipal Asset Managers—Forecast your asset renewal using the new renewal model on the web at**

**[www.algin.net/a-kit.com.htm](http://www.algin.net/a-kit.com.htm)**

With financial support from the Commonwealth Government, the Australian Local Government Association has developed a modelling framework for predicting future expenditures on roads, which is available on the internet.

The framework guides councils and infrastructure custodians in the appropriate data input and provides the required modelling structure to generate future renewal predictions.

The model itself is an update of the model used by the Office of Local Government in Victoria to predict the cost and timing of infrastructure renewal in the report “Facing the Renewal Challenge” with some interesting developments such as “distributed asset lives” (see box to the left)

# Appraising Asset Management Plans

## - UK Education Capital Strategy

The Department of Education and Employment in the UK intends to scrutinise the Asset Management Planning processes of individual Local Government Authorities, and to **“intervene in their management of their capital programmes in inverse proportion to its confidence in their systems.”**

### The Appraisal Process

- We expect to assess the quality of Asset Management Plans against a number of key features, including:
  - the robustness of systems for gathering, analysing and updating relevant data;
  - the objectivity and comprehensiveness of arrangements for identifying and prioritising capital needs, including consultation with schools and other relevant bodies;
  - the efficiency and effectiveness with which Local Education Authorities manage capital, including ongoing maintenance; and
  - their track record in securing promised economic and educational benefits at reasonable cost.
- Judgements under each of these headings would be derived from scores against explicit performance measures, which would be known to all Local Education Authorities, Dioceses and their schools. We set out below some of the areas in which we would be interested, and how we might go about assessing them.

<u>Quality of data-gathering and analysis</u>	
<b>Measure</b> <b>Accuracy of School Capacity Data</b>	How Assessed As part of Capacity Survey analysis. Spot checks of Asset Management Plans supplemented by site visits. Intelligence from general Local Education Authority/school visits. Comparison with previous capital applications.
<b>Measure</b> <b>Robustness of Pupil Forecasts</b>  <b>Robustness of Condition ratings and related premises informa-</b>	How Assessed: Visit observations: for example, housing developments; appropriateness of planning areas; and geographical features affecting travel to school. Track record of earlier years forecasts from cumulative central records.  Selective scrutiny of local survey evidence and sample spot checks.
<u>Adequacy of Processes</u>	
<b>Measure</b> <b>AMP adequately reflects capital of local Plans</b>	How Assessed Capital consequences of SOPs, EDPs, consequences EYDPs, Class Size and NGFL Implementation Strategies, and SEN Policy issues are adequately reflected in Asset Management Plans.
<b>Quality of Suitability judgements</b>	Appropriateness of curriculum-related building analyses. OFSTED inspection action points as necessary.

Measure	How Assessed
<b>Adequate consultation with, and involvement of, schools and other bodies</b>	Openness, fairness and transparency as shown in Policy Statements. Visit intelligence that systems operate as described and strength of local endorsement of the arrangements. Visit intelligence that schools given the choice of managing all building projects.
<b>Fair Funding</b>	Visit intelligence that systems operate as described and strength of local endorsement of the arrangements. "Application ratios" for school sectors checked and compared against norms. Complaints by schools and others logged and followed up.
<b>Clear arrangements for delegation of repairs and devolvement of formula capital</b>	Extent and clarity of delegation in Devolved Funding Schemes. Local Education Authority monitoring arrangements against repairs and maintenance benchmarks. Outturn spending figures checked against benchmarks; selective follow-up visits.
	Visiting intelligence that systems operate as described and strength of local endorsement of the arrangements. Relevant OFSTED Local Education Authority inspection findings and anecdotal evidence of school initiatives
<b>Securing commitment from schools</b>	Visit intelligence that school funding processes in Asset Management Plans operate as described and strength of local endorsement of the arrangements. Schools understanding of needs of others and relative priorities; local feedback arrangements. Strength of links between building work and educational standards and explicit links with individual SDPs. Ingenuity and innovation in proposals for seed funding
<b>Funding Mechanisms</b>	Appropriateness of funding mechanisms (including PPP) employed or considered for capital delivery.
<b>Quality of Outputs</b>	
<b>Keeping supply of, and demand for, places in reasonable balance</b>	Analysis of returns for changes in incidence of unfilled capacity; and avoidable overcrowding. Returns compared selectively with Asset Management Plan data to compare actual with potential best use of available capacity.
<b>Effectiveness of building programmes</b>	Improvements in building performance over time for Suitability and Condition from Asset Management Plan data and spot checks of completed schemes. Outcomes compared with proposals (over time) using cumulative records. Impact of building work on standards. Anecdotal evidence from selective visits to, and interviews with, schools.
<b>Efficiency and Economy of building programmes</b>	Building programmes rated against costbuilding Programmes and space benchmarks. Appropriate balance between repairs and Extent to which denominational aspirations met Evidence from Voluntary Aided capital applications, conferences and seminars, and contacts with Churches. Relative Voluntary Aided surplus and overcrowding compared with norms. Anecdotal evidence from interviews with Dioceses and Voluntary schools.

## The “Smallest Room in the House” Challenge



*“Not very glamorous, but lots of them and important to the community – long life but high maintenance”*

**Facing the Renewal Challenge. Office of Local Government. Victoria.**

### **Wanted: Examples of Innovation**

Whether in schools, councils, or recreation areas, the humble toilet block presents a number of maintenance and management problems, from hygiene and community safety to access, cost, and availability. If you have responsibility for these ubiquitous assets, you will have puzzled over way to reduce cost and increase service.

AMQ International is conducting a search for good management ideas. We are looking for examples of low maintenance design/construction/modification; added value (eg novel designs that are tourist attractions in themselves!); innovative maintenance/supervision schemes; cost sharing systems; in short, any idea for enhancing service delivery and/or reducing costs with respect to this necessary asset. Keep entries down to one page or less. Email them to [challenge@amqi.com](mailto:challenge@amqi.com) **Challenge runs from March to November.**

### **Win a trip to Melbourne and free entry to the Competition Finals**

All ideas submitted will be published on the asset management quality website [www.amqi.com](http://www.amqi.com) and the best idea will win a return air ticket from the winner’s nearest Australian capital city to attend the International Asset Management Competition Finals in Melbourne in December 7-8 and a seat at the Head Table for the Grand Awards and Prize Night Dinner, Dec 8<sup>th</sup>. For more on the competitions see [www.amqi.com](http://www.amqi.com)

## Year 2000

### International Asset Management Competitions

closing 30th July 2000

Asset Management is gaining momentum around the world. Asset Management Plan, and the work that goes into them, will drive service improvements over the next decade.

This is a great time to be involved in sharing your ideas with an increasingly committed and interested network of asset management colleagues.

The Competitions are designed to recognise and reward excellence and promote the development of asset management across the world.

This year there are six entry categories. Designed to recognise the work of students, researchers and suppliers to the industry as well as the work of line managers and asset management strategists.

6 entry categories.

1. SOUND APPLICATION OF ASSET MANAGEMENT
2. INNOVATIVE APPLICATION OF ASSET MANAGEMENT
3. BEST RESEARCH IDEA
4. BEST REVIEW ARTICLE
5. BEST CONSULTANCY PROJECT
6. BEST NEW PRODUCT/SERVICE

#### What is eligible?

Any good project which has a sound business case and some runs to show for it

enter this in either of the first two categories

Any review of asset management practice or 'state of the art' of a particular aspect of asset management.

what we are looking for:

- information
- analysis
- rigour of the process

**Suppliers**—Do you have a 'new product/service'? Developed or substantially updated in the last 3 years? If so, consider the "Best New Product/Service" Award for Asset Management.

Inquiries: Dr Penny Burns <info@amqi.com>

## New Categories!

### Best Consultancy Project

Have you been involved in a project which provided excellent results in asset management for your client?

Have you worked with your consultant to produce asset management outcomes with which everybody is pleased?

Then continue the partnership! Joint entries from client/consultant are sought for our new category of Best Consultancy Project.

What we are looking for is

- The clarity of the brief
- The soundness of the objectives
- The rigour of the processes
- The usefulness of the results

Details on website, [www.amqi.com](http://www.amqi.com)

Inquiries: Dr Penny Burns, [info@amqi.com](mailto:info@amqi.com) or 618 8281 5795

### Best Research Idea

Could you do something better for your agency by way of asset management if only resources were available?

Well, turn the odds in your favour. Establish the worth of the conceptual idea by winning the "Best Research Idea" category and who knows what might be possible for you and your idea?

Or, if you have an idea for application by a regulatory body, policy making organisation, or another external body. Submit your idea and, if it is judged to be the best of the new ideas presented, AMQ International will work with you to help it come to fruition.

What we are looking for is

- A well developed idea
- A good argument to support the foreshadowed benefits

Inquiries: Dr Penny Burns <info@amqi.com>