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UK UPDATE 2001

In 1996, when I first started my annual visits to the UK, asset management was largely unknown outside of the utilities. But much has happened in the last five years, some of which has been reported in earlier issues.

Asset Management Plans

This time around I was impressed by the way in which asset management plans, of a very detailed nature, have been developed for schools in England, and for the methods of encouragement to better asset management planning now being adopted by education and by local government more generally

Rewards for Good Planning

In both Education and Local Government, asset management planning has been imposed from above as a method of ensuring consistency in resource allocation given decentralised decision-making. In this issue we report the steps that the Central Government Departments have taken to reward agencies for attention to good planning.

A Focus on Property rather than Infrastructure

The most part the emphasis has been on property asset management – in local government generally and housing, health and education in particular. Infrastructure in local government has yet to be dealt with.

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Asset Management as Response to Need

Asset management has also evolved as a response to perceived management need and this is the case in British Waterways where ownership of the asset management process has now reached that enviable stage of 100% endorsement by the Board. How British Waterways arrived at this envious state will be reported in the next issue.

Capital Charging

Capital charging has been part of the local government finance procedures for about 4 years now but is not being used for the purposes of managing demand for, and use of, assets.

A few years ago, all NHS properties (hospitals) were valued for the purpose of applying capital charges. Recognition of the replacement values caused an initial jolt in awareness but little has happened since and capital charging has been downgraded in terms of the involvement of senior policy personnel. It is, however, not off the agenda.

Public Private Partnerships

It used to be PFI (private finance initiative) but today's acronym is PPP (public private partnership). PPPs are still being strongly promoted by the Blair Government but the mutterings from the general public are not diminishing with time, rather they seem to be getting louder – as witness the problems with the British Underground (see next item).

The IPPR, Institute for Public Policy Research, is Britain's leading centre left think tank. It issued a report while I was in London that argued for a widening of the application of PPPs in the sense that it argued that they should also be allowed to apply to clinical services in health or teaching services in education as well as to facilities supply and management, and that there should be no distinction between core and ancillary services, PPP should apply to all. In this, they were, as usual, quite supportive of the government.

What was new, and slightly unexpected, was that they were critical of how PPPs had applied in the past. In particular it argued that

- PPPs had taken on too much risk (resulting in a number of high profile failures)
- PPPs should develop real businesses, with delivery of public services as a core part of their activity, rather than the highly geared, project financed, special purpose companies obtaining high returns, which characterised PFI in its early days.

(Enthusiastic transfer of risk to private sector outsourcing arrangements, and the establishment of special purpose vehicles has also characterised Australian ventures into private sector involvement so that the IPPR report may well be of interest here. (See www.ippr.org.uk/))

British Rail

British Rail was one of the major news items throughout the entire three weeks that I was in the UK. A major report had just been released into a crash which had killed 31 people in October 1999, which chiefly blamed Railtrack for 'institutional paralysis' and 'lamentable failure' over six years to address known safety risks. Thames Trains was criticised for inadequately training drivers, one of whom triggered the accident by running through a red signal. Many were arguing that the problem was with establishing companies who put profit before safety. For me, there were similarities to the Granville Disaster in the Blue Mountains over 25 years ago where, of course, all the companies involved were public sector.

Unattended to Problem

The real danger that does not yet seem to be sufficiently addressed is the problem of co-ordination and integration of the disparate elements of the rail system. One could argue the same applies in other industries that have been broken up and sold up. We will be looking at the role of the asset manager in overcoming these problems in a later issue. ■

REWARDING GOOD ASSET MANAGEMENT

The problem with asset management today is what it has always been - benefits are in the future but the costs are NOW.

When budgets are increasing so that there is always an uncommitted proportion of the new budget available for allocation, asset management may stand a chance, but in times of stationary budgets (or worse, declining budgets), spending now for rewards later - as we all know - really does not stand much of a chance.

So how can this situation be rectified? Here are two approaches from the UK, one from Education – schools, the other for Local Government.

EDUCATION - REWARD IS INCREASED REVENUE RAISING ABILITY AND GREATER FLEXIBILITY

Education in the UK is in the fortunate position of budget expansion. The current Government has quadrupled the money being spent on school facilities and over £8.5 billion is to be spent over the next 3 years (about \$Aus 23 billion).

In 1999, the Department for Employment and Education as it then was (and the Department for Employment and Schools as it now is) introduced a requirement for asset management plans covering each of its 24,000 schools. These plans were the responsibility of about 140 Local Educational Authorities, but the intention is for them to devolved to individual schools as they gain more responsibility for their own actions.

The plans focussed on three key areas – condition, capacity (or sufficiency) and suitability, and detailed guidance was provided for completed the quite extensive planning documents. You can find the guidelines provided on Education's website www.dfes.gov.uk

Rewards

These plans are now being assessed by an independent assessing team.

Those plans judged to be unsatisfactory bring upon their unhappy LEAs two penalties:

- **One**, their funding is capped (that is, they are limited in how much revenue they can raise as well as limited in the grants allocated, and in an expansive climate this is a serious penalty)
- **Two**, they have reduced autonomy in decision making with all major decisions having to get clearance from the central office.

So the reward for good asset management is increased funding and increased autonomy.

See over page

Appraisal

The purpose of the appraisal was to improve the quality of asset management, gain better targeting of spending and to provide a lever to achieve better value for money.

The areas so far appraised have been

- Premises data (condition and suitability)
- Local Policy Statement
- Improvement Targets

This is only a subset of the total information requested and criteria will tighten in future years.

An authority may fail to gain a 'satisfactory' qualification if it:

- failed to state clear objectives in its Local Policy Statement
- had significantly incomplete asset coverage evidenced poor data quality. ■

Want more information?

For guidelines, and examples from actual schools, see 'schools' in the article listing on

www.amqi.com

LOCAL GOVERNMENT - PAYMENTS BASED ON QUALITY OF CAPITAL STRATEGIES AND ASSET MANAGEMENT PLANS

In the UK, councils are responsible for such things as health, housing and education in addition to the range of responsibilities that they have in Australia.

The 'Single Pot'

Traditionally money has been allocated by central government for the separate functions but now, in the interests of 'joined up' government – the latest in-phrase meaning integration of separate government functions and of private and public sector services in the interests of more client focussed outcomes – there is a move towards a 'single pot' which will allow councils to allocate resources to needs as they see them.

Modernisation of Local Government

This represents a major shift in policy determination and resource allocation from central government to local government and is part of the 'modernisation' reforms currently underway. For it to work, councils need to have in place good capital strategies and asset management plans and so the central department with responsibility for resource allocation is seeking to achieve this end by allocating some of the 'single pot' of money on the basis of the quality of council planning. 5% of the single pot is to be allocated for this purpose in the first year, rising to 20%, so this is quite an encouragement.

What Good Planning Earns

A 'good' capital strategy will earn a council £50,000 (or at the current exchange rate about \$135,000); a 'satisfactory' capital strategy earns £25,000.

Similar amounts are available for the asset management plans so a council that provides both a good capital strategy and a good asset management plan can earn £100,000.

(Larger councils have argued it should be pro-rata'ed to give them more but the department is arguing that it is the poorer, smaller councils that need most assistance and so have kept it at the same absolute level for all.)

Good Capital Strategies

The capital strategies are meant to take a portfolio wide approach, to consider partnership links, public consultation processes, links to other plans/ strategies and performance measurement.

Criteria for being 'good' include

- Extent of coverage
- Framework for management and monitoring
- Approach to prioritisation
- Consistency with other documentation
- Demonstrated corporate approach

Good Asset Management Plans

The asset management plans are meant to take a corporate approach, show the results of public consultation, data management and performance measurement as well as programme development and disposal or under-utilisation programmes.

Criteria for being 'good' include

- Corporate property officer
- Cross service asset management team
- Collation of data
- High level reporting procedures
- Basic condition survey

A Dry Run

A 'dry run' was held in 2000 where capital strategies and asset management plans were assessed, with information being fed back to councils but no cash; money starts to flow from 2002..■

How does investment in educational facilities impact educational outcomes?

A study is currently being done in the UK looking at this very issue and we will report on its findings in a few weeks time.

Asset Disposals By Internet

Government property sales by internet are having a mixed reaction at the moment in the UK, but the general impression seems to be that the market is not yet ready. However, on a smaller scale, Kent Police are using the internet to dispose of lost property. By bringing their auctions to a wider market they estimate that they have trebled their annual revenues. Maybe buyers are dipping their toes in the waters of the new internet age and smaller value sales disposals will benefit now?

GRIFE: STANDARDISATION OF TERMINOLOGY

Ami Sudjiman-Spinks, Strategic Facilities Management Pty Ltd writes:

My Gripe is probably related to Roger Byrne's gripes for the need of standardisation, but is particularly related to 'Terminologies' that people use in discussing Asset Management.

Starting with the terms

Asset – the interpretation of this word is widely ranged, from the large infrastructures, to financial assets of large investment corporations to fleet of vehicles and office equipment.

Asset Register – based on the above definition of Asset, it is very likely that two Asset Registers of two different organisations will contain completely different type of information, and used for different purposes.

Asset Manager – any comparing the job descriptions for this type of position in two organisations will have difficulties recognising the similarities.

Asset Management – an organisation recently has claimed that it has just outsourced its asset management functions – which functions are they referring to? Is there anything we can do about these range of interpretations of the terminologies?

Then we can go down to other 'products' of the above terminologies.

The Danger of Miscommunication

Asset Management Plan – such a Plan, produced by similar type of organisations, may range from a 2 pages type of document to a 200 pages type of document.

Maintenance Plan – some organisation interprets this as the same document as Asset Management Plan, others have developed a completely different Plan. However, the range of Maintenance Plans is also wide, from a 10 pages broad guidelines developed in a couple of weeks, to volumes of detailed

Plans of every single equipment developed over a number of months.

Economic Appraisal – whilst the contents of the appraisal itself may vary, some assumes that this can be developed over 2 weeks, whilst others are still struggling to complete one after many months.

The most upsetting thing about the confusion over the above three (or more) terminologies, is that organisations can't judge value for money for the 'product'.

Organisations may have identified the need to prepare one of these Plans or Appraisal, based on an instruction to 'have one of those developed' or after viewing an example prepared for another organisation. They then allocate a budget for this commission, go to tender for it, and find out that the prices are way over their budget.

More sad stories also come from organisations who did manage to secure a commission to prepare one of these plans at 'reasonable' price, but then received a document which look nothing like they envisage to be.

In most instances, the various Plans and Appraisal are 'broadly' the same in contents and recommendations, with the difference being the level of depths the analysis and reporting being carried out.

A Suggestion:

For the above Plans and Appraisal, it may be possible to make some classification on the level of depths these 'products' are to be developed. A similar classification approach has been adopted for Energy Audit in buildings. Eg.

Level 1 - for strategic level type of plan and recommendations, based on cursory, broad brush type of analysis, with broad budget recommendations.

Level 2 – for general plans, with semi strategic and semi directive type of plans and recommendations, based on detailed analysis which has been summarised to allow middle managers to implement some of the recommendations, which include break up of the budget recommendations.

Level 3 – for detailed implementation plans, based on detailed analysis to support detailed recommendations, with detailed estimated costs etc..■

IS TERMINOLOGICAL CONFUSION INEVITABLE?

Asset Management is Evolving – New terms are being added

Part of the problem of terminology is that asset management is an evolving discipline. It is not at the stage where all the ideas and terminology can be nailed down. A number of the terms currently used, for example 'renewal' and 'sustainment' will not be found in the older lexicons of asset management terminology simply because the ideas that they represent had not then been well developed.

But evolution of ideas also affects the way we interpret terms that are currently in use.

However, this being said, it is definitely confusing to have dozens of interpretation of such commonly used terms as 'asset' and 'asset management plan', as Ami has indicated. As each new 'generation' of asset managers comes on the scene (and the life of an asset management generation can be as short as 2-3 years!) they will adopt the latest thinking and interpretations but past generations may continue to interpret in the style that was common when they learned the terms and so we have a situation where there can be many different interpretations all current at the same time – confusing!

What can be done about this?

Keeping up to date with current thinking will help. Defining our terms will help. Checking the consistency of our terms with those in current use will help. Establishing 'standards' will help, as long as they are kept up to date (a big job!).

Definitions

There are a number of sources of standardised definitions. The earliest would be the **Glossary of Building Terms** published jointly by the National Committee on Rationalised Building (NCRB),

Standards Australia and Suppliers Index Pty. Limited. The fourth revision of the building terms in **January 1994** included asset management terms. (The approach was from construction and maintenance of buildings)

Françoise Szigeti, Deputy Director of the International Centre for Facilities, advises that there is a Terminology of Facility Management in the ASTM standards, and that, as part of a CIB project, it is expected that a terminology of "Performance-Based Building" will be developed which will include Portfolio and Asset Management terminology. This work will then be standardized both in ASTM and in ISO.

Many government departments have, as a matter of issuing their asset management manuals, also given lists of definitions.

But the definitions by themselves will not ensure consistency – unless people use them, update them, and change their own terminology as each updating takes place. This problem, incidentally, is not by its nature much different from problems with language generally. There are English language purists (and an entire academy in France) who endeavour to keep the language 'pure' but they fight a losing battle. Will we? ■

Responses?

Email info@amqi.com or go to www.amqi.com and enter your responses directly on our website www.amqi.com

CREATING GREATER ASSET MANAGEMENT AWARENESS PT 1

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Comments to penny@amqi.com



Angry? Cheesed Off? What really annoys you about Asset Management ?

For the next few issues, I am asking practitioners what really irks them about asset management and the way it is currently applied. Generally, we get annoyed by what we feel unable to change. Maybe some of the issues we raise will have answers, maybe they won't and we will have to learn to live with them, or work around them. For Today's Gripe—Lack of Standardisation in Terminology see pp 102-103

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