

Issue 95, August 23, 2002

Data Management in Natural Resources and Energy 338-340
 New Feature! "Who's Doing What"? - Current and Recent Projects in AM 341
 New Feature! "Step by Step" Innovative new case studies 342-343

KNOWLEDGE MANAGEMENT

**"Give me all the information we have on this asset
 and I want it NOW!"**

How long would it take you to find the financial records (e.g. budget allocation, expenditures, revenues (if any), grants, valuation, depreciation, forward expenditure plans),

And how long to find the asset register details (e.g. location, type, size, age, condition, heritage listings (if any), maintenance history)? What about, maps, photos, drawings? What about utilisation rates, potential alternative uses, etc? And what about risk?

Could you do it in 30 minutes? 30 days? Or would it take all year? (or, is the answer 'never'?)

One state agency that has tackled this problem is NRE (Department of Natural Resources and Environment, Victoria) and we show how they went about it on pages 338-339. And on page 340 you will see how they are linking asset data to their business planning. This work was one of many interesting pieces of work that were presented at the FMA conference at the Barossa Valley this May. Papers from the FMA conference will be put up on their website early in the New Year and will be accessible to all FMA members.

New feature!

And learn more from the experiences of others. You will be able to follow the experiences of a group of pilot councils, large and small, as they come to grips with the requirement for knowledge management and many other issues as part of the task of developing and implementing their AM strategy and plans. **See our new "Step by Step" case study feature, starting in this issue on page 342.**

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DATA MANAGEMENT STRATEGY

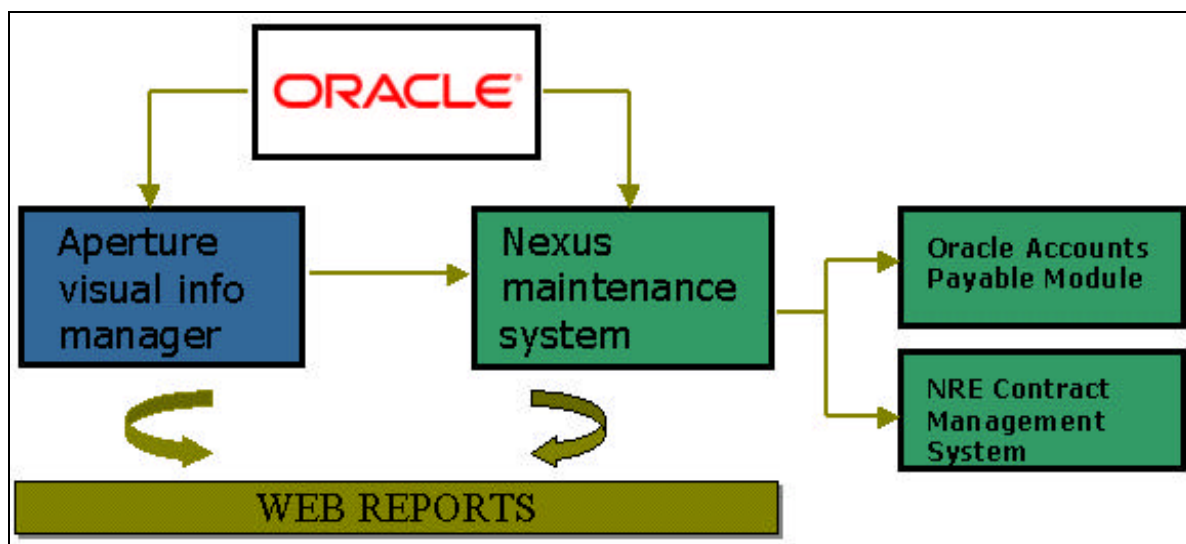
Department of Natural Resources & Environment (Victoria)

Motivation A newly formed department that inherited a large number of assets not recorded or accounted for was the impetus for NRE to develop a data management strategy that linked asset management and business management.

Requirements NRE decided it needed to track and maintain critical information in at least three areas:

- Current owned-leased building information including location, size, and the potential for further developments on the site;
- Current operating information including condition, future maintenance requirements, remaining useful life;
- Current financial information including original cost, current cost, depreciated value, and residual value

What they did The established NRE Asset Management system is based on the Oracle Financial Fixed Asset Module and comprises the following:



Main Features:

- **The site plans and floor plans in the Aperture system** are actively linked to the Department's Oracle Financials system by the unique Oracle asset number. Through a link with Oracle Fixed Asset Module, the Aperture site and floor tables display the selected financial information useful for facility managers. The building records have a graphic inter-phase that displays photographs. Storage of appropriately scaled site and floor plans provided also for the first time in NRE for provision of accurate spatial data regarding site and floor areas occupied by NRE;
- **Nexus Maintenance Manager system** contains maintenance plans and budgets for each site and building within NRE corporate portfolio. The plans are divided into key maintenance categories (annual, major cyclical, condition, OHS/DDA, and statutory). The system allow business and facility managers

to review and plan their maintenance works and budgets, to identify the assets that may require a significant maintenance outlay but are of low financial or service value, or to determine which assets are not in use and, therefore require minimum maintenance. Once specific maintenance tasks are implemented, the records can be linked to the NRE contract management database and. All payments associated with the works are recorded in the NRE Oracle Accounts Payable and monitored through the maintenance system;

- **Web-based consolidated facility management** reporting brings together the visual and financial information. Business and facility managers can easily access the information that may be necessary in decisions about asset creation, capital renewal, and utilisation of existing assets. The reports have the capacity to list specific asset types eg. all NRE depots or fire stores, and summarise specific maintenance tasks eg. maintenance of fire equipment with a view of engaging one Regional or state-wide contractor.

The reports are updated by links with the above systems and can be structured to bring up specific information regarding a single facility, a site, or a Region. The Web reports include also graphs that allow for Regional comparisons regarding the size of portfolios.

Performance

The following facility performance measures are currently available or can be calculated from the asset data and Web reports:

- Staff/square meter ratio to indicate the utilisation of accommodation;
- Floor space/site space ratio to indicate utilisation of operating land;
- Improvement value/square meter of floor and site areas to monitor the cost of developing Business Units;
- Estimated maintenance expenditure/square meter are to determine cost efficiency;
- Increase/decrease in maintenance budget based on year, site, Regional comparisons to determine areas of highest expenditure requirements;
- Maintenance costs/value of the facility to determine capital renewal needs;
- Floor area for the facilities with 5, 10, and 20 years of remaining useful life to determine asset replacement needs.

Key Benefits

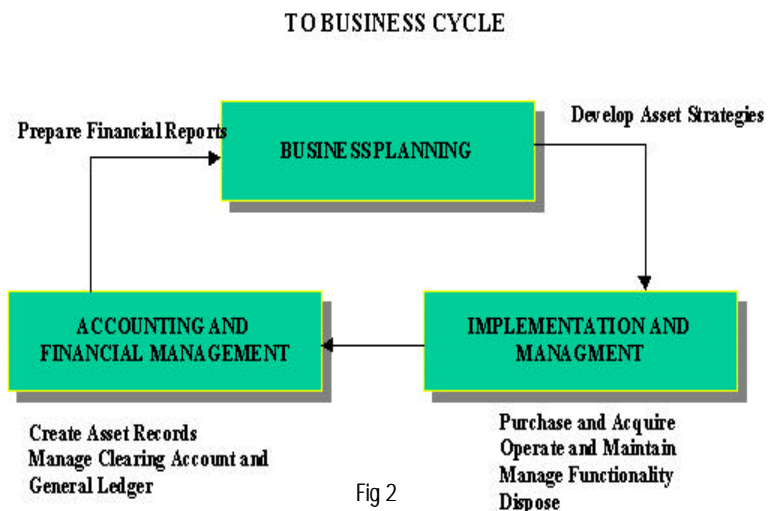
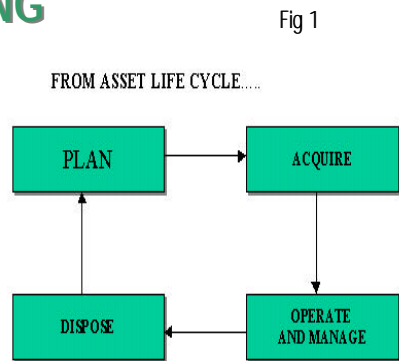
Key benefits of establishing this integrated system include the ability to strategically assess the performance of NRE facilities and make decisions based on:

- Assessing facility performance requirements over the facility/asset life cycle
- understanding the cost of owning and occupying property/assets;
- information on assets not in use;
- the cost of maintaining the facilities over the long-term period;
- gauging, by determining its operation and tactical use, whether the asset is an investment that will provide returns;
- the flexibility to manage maintenance and capital works to suit budget requirements.

BUSINESS FOCUSED ASSET PLANNING

Implementation of the asset management policy guidelines and a procedure manual, establishing the data management system, and linking facility information to NRE corporate information system allows facility managers to adopt business (Fig 2) rather than asset life cycle focus (Fig 1).

This approach is to ensure that the asset planning process is embedded into the business planning, budgeting and management process, that assets are managed and maintained according to their specific life stage, and that appropriate data and records are captured for financial reporting and further decision making.



STRATEGIC OUTCOMES

By adopting the strategic approach, the Capital Policy Section in NRE paved the way for a number of changes and improvements, for example

IMPROVEMENTS TO THE PROPERTY PORTFOLIO

CPS significantly contributed to the streamlining of NRE Corporate Real Estate by the delivery over the last 5 years of specific facility management programs and creating a large number of quality and innovative corporate facilities. Approximately \$200 million was spent in NRE on capital improvements since the amalgamation. Main initiatives in this area included:

- Depot consolidation program;
- Consolidation and integration of Business Units;
- Lease review and re-negotiation;
- Upgrades and refurbishment;
- Construction of new NRE buildings;
- Roll-out of Information Centres;
- Creating expert designed facilities in remote areas (Walpeup, Snobbs Creek);
- Development of business plans and facility strategies for Technology Parks (Werribee, Horsham, Latrobe Biotechnology) and partnership with Private Sector.

Implementation of these projects was based on the principles of creating business values, opening business opportunities, and improving operation of NRE core services. The main outcome was creation of a modern, efficient, and functional facility portfolio, with lower maintenance and management requirements, and with increased capability to stimulate productivity savings.

More Information?

This is an excerpt from a paper prepared by Franklin Trouw and Barbara Oleczek for the 2002 FMA Conference. The full paper contains considerations of the contribution of asset management to business performance. Contact: Barbara.Oleczek@nre.vic.gov.au

WHO'S DOING WHAT?

Current and Recent Projects

Readers are invited to submit their projects.

The rules are simple—follow the format, include client contact, keep words under 400 - to info@amqi.com

Category: Local Government

Short title: "Step by Step"

Organisation: The Asset Management Advisory Committee of the South Australian Local Government Association. Client Contact: Stuart Mathews

Background/Rationale for Project: The LGA had, jointly with the Metropolitan CEO's Association, successfully undertaken a study of asset management practices and asset conditions across all 68 councils ("The Wealth of Opportunities" Study). It was recommended that a pilot study be undertaken that would illustrate how to implement the study recommendations.

Aim of Project: To support councils in their move to improve their understanding and skills in asset management.

Description of Project: Over a two year period, a mentoring team of asset managers will meet with six pilot councils on a regular basis to assist them to develop and implement their asset management strategies and plans. A condition of inclusion in the project is that councils agree to be reported every step of the way 'warts'n'all'.

The project is designed to include the elected members as the drivers of the asset management strategy. A two-day, on-site, visit examines trends affecting council and checks the quality and availability of data to support strategic directions. The project is explicitly a mentoring exercise. The team do not DO the work that needs to be done but rather they assist councils to do it for themselves.

Assistance is provided by regular quarterly visits, intermediate conference calls, and an email 'hot line' for problems and inquiries. A 'users group' of asset managers within these councils is to be established for on-line information exchange. Pilot councils contribute the consultancy costs and the LGA has funded travel and accommodation to ensure that the more remote councils are not disadvantaged. 23 councils applied to take part. One council from each region was selected. Two are facing rapid growth, one is declining in population and three are stable or growing slowly. One is a large metropolitan council, the others are smaller. Each is expected to be a champion for asset management in its own region.

What would constitute success for this project? If, at the end of the two year project, the pilot councils have established clear directions and the ability (and confidence) to achieve them, the project will be considered a success. Along the line, it is expected that they will have improved their data management and asset management practices. An exit survey is to be carried out to see whether these things have been achieved. The survey will also look at the extent to which other councils, not part of the pilot scheme, have benefited from the reporting.

Estimated Completion Date: September 2004.

Work being carried out by: Dr Penny Burns (AMQ International); David Hope (Skilmar Systems) and Jeff Roorda (Jeff Roorda and Associates)

STEP BY STEP -

Introducing the first two of our six pilot councils

1. A large and growing Metropolitan Council - Marion City Council

BACKGROUND.

Marion is a large metropolitan council with a population of 78,500. It has a diverse economic base with a large industrial area, over 3000 businesses, the second largest regional shopping centre in Australia and the largest cinema complex in the Southern Hemisphere. A number of important centres of employment are located just outside the Marion boundaries and have a close relationship with the City and its residents. These include Flinders University and Flinders Medical Centre. The City confidently expects continued growth.

FINANCIAL SITUATION

Council has an operating budget of approximately \$34m and an asset portfolio of about \$326m and growing, depreciation on which is recorded at \$8.5m. Its operating deficit before capital revenues is around \$3.2m, or just under 10% of the operating budget, and growing.

ASSET MANAGEMENT SITUATION

Council has an asset management strategy, a detailed 10-year property maintenance plan linked to the 5-year financial plan/corporate plan. There are also asset management plans for infrastructure, plant and equipment and furniture and fittings. Council has generally good information systems although knowledge on economic lives needs developing. Council has an Asset Management Group representative of the stakeholders across the Administration.

REASON FOR WANTING TO TAKE PART IN THE STEP-BY-STEP PROGRAM

Council wishes to find new ways to trim costs. Despite work done to date, they think more opportunities are available.

ON THE PLUS SIDE

The general outlook for Marion is good. The area is attracting new residents in the higher income brackets. Asset management in council is well resourced and staff members are well qualified and enthusiastic.

SO WHAT CAN THIS COUNCIL DO?

Can they reign in their deficit or will it continue to grow as the asset base grows? Will they be able to improve their understanding of economic lives and future asset renewal planning? Will they be able to manage the expectations of their growing community? Will they be able to dispose of surplus property before they are hit with demands for desired, but unnecessary, upgrades? Will they be able to find ways to trim costs? Stay with us to find the answers – and learn from their discoveries.

Next Issue: Marion City Council makes some interesting discoveries

2. A small rural council facing the problems of declining population, increasing road traffic, and changed service delivery requirements of an ageing community – Northern Areas

BACKGROUND

The Northern Areas council area is rural, predominantly grain producing. Farm amalgamations have resulted in an increase in productivity and output and this has led to an increase in the size and speed of trucks handling grain and other produce putting a strain on the council's ability to manage its large rural road portfolio of 2200km. The loss of farm population has been partially offset by an inflow of retirees which has slowed down the rate of population loss but at the expense of increasing the average age of the community and changing and increasing the demands on council for community services. The population has declined overall from 5,113 to 4,815 over the past five years.

FINANCIAL SITUATION

Financially the council's situation does not look good. The council's records show total non-current assets of almost \$30m with depreciation running at \$2.4m (up from \$2.2m last financial year). Council's operating revenues last financial year were almost \$4.8m and its operating expenses just over \$6.1m leaving it with a deficit, after capital revenues, of over \$1m. The deficit is increasing. The accounts indicate that the council is not in a long-term sustainable position unless some changes are made.

ASSET MANAGEMENT STATUS

The Council has no Asset Management Strategy or Asset Management Plans (although it has done work on elements of a plan). Its asset register, compiled for the purposes of the 1997 revaluation, was found to be so full of errors that the valuations themselves are now in doubt and council recognises that work needs to begin afresh on a reliable register. Council has a GIS.

REASON FOR REQUESTING TO BE PART OF THE STEP-BY-STEP PROGRAM

The council believes, with a declining population and increasing costs to maintain its extensive road network as well as to provide community services and sustain increasing compliance costs, that it is not able to be financially viable without extra grant support. The hope is that the program will enable it to document its true needs so that more funding will be made available.

THE PLUS SIDE

The council has a senior works manager with a great wealth of experience and some keen younger staff members with rapidly developing skills. There is a good relationship between staff and elected members.

WHAT CAN THIS COUNCIL DO?

How will it manage increased heavy traffic and expenditure on its large rural road network? Will it be able to stem the tide of declining population? Will it be able to reign in its increasing deficit and reach a level of sustainability? Will it be able to mount a successful case for increased grant funding? Stay with us as we find out.

Next Issue: Northern Areas Council makes some interesting discoveries.

Have you got your password yet?

All subscribers can now access "Strategic Asset Management" on line.

To get your password, either speak to your librarian (if using a library copy) or go to SAM on line at www.amqi.com and complete the coupon you will find there. Confirmation will be sent to you by email (within 24 hours if we can)



and don't forget The Return of the 'Wine Awards'

Best practice examples of
Involving the Community in the Asset Management Message
are now being sought.

These could be found in

- Newsletters,
- website messages,
- educational plagues on renovation or repair sites,
- community forums,
- shared projects (such as the Boroondara-Swinburne Technical College example on the previous page)
- radio talkback, etc

- in fact anything that **promotes the support of the community for the sustainability of community assets.** Send hardcopy examples (newsletters, photos, etc) to Dr Penny Burns, "Strategic Asset Management" PO Box 75, Salisbury, SA, 5108 Or electronic examples to info@amqi.com

By October 31st 2002

All entries will be featured on the www.amqi.com website and come November, all Members of the Virtual Asset Management Community members can vote for the examples that are most practical, most inspiring, and most useful.

And our prize? What else but half a dozen bottles of premium South Australian red wines for the enjoyment of the winner and friends. (We will post these anywhere in Australia or overseas – so send in your ideas and contributions.)