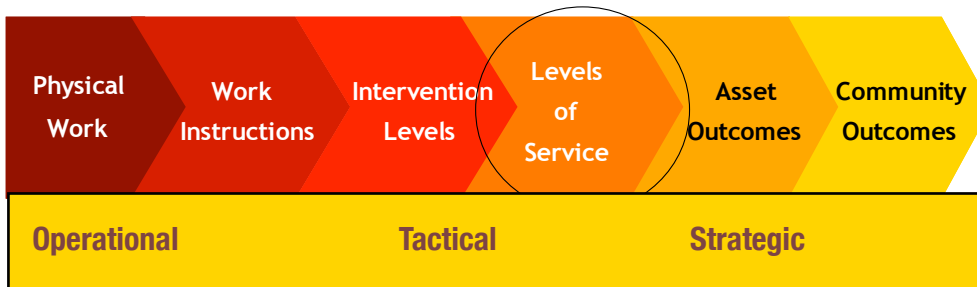


The Missing Middle



Have you got your Strategic Asset Management pretty well worked out? And your Operational Management is working fine, except... there seems to be no direct connection between the two? In that case you are probably suffering from 'the Missing Middle', or an absence of Tactical Asset Management.

Tactical Asset Management takes the high level objectives of the Strategic Asset Management Plan and 'operationalises' them; i.e. it breaks down the broad objectives into more specific objectives that can be tackled by Operations and Maintenance.

And the main tool in the Tactical Asset Management Box is the development of Service Levels.

This issue is devoted to defining and using Service Levels, drawing on work by Dean Taylor presented to the recent NAMS NZ Advanced Asset Management Workshop in Wellington.

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“Think!” by Imapix

Editorial: Shaping the Way We Think

In the last issue of SAM I presented what I consider to be the 4 basic principles of Asset Management, namely:

1. Assets exist only to provide a service
2. Enough is enough (i.e. appropriate service)
3. Think Life Cycles (assets must be managed for today and tomorrow)
4. AM is about Trade-Offs.

We all have stories of councils or communities that miss out because they don't understand these four basic principles - the council that chooses to increase expenditure AND reduce rates at the same time; - the government that makes knee-jerk capital asset decisions without taking the longer term into account; - the asset manager who strives to provide a higher quality of service (one that is higher than the community can afford); - and everyone, everywhere, who find it hard to let go of something, even after it is demonstrably not providing a service that justifies its costs.

How do we develop more rational thinking in our organisations and communities?

Well, there are ways. Start by reinforcing the four basic principles every time you communicate an asset management message - to anyone, inside or outside your organisation. I don't mean parrot the four principles above, but rather select the one or two principles that have particular relevance to the message you are communicating. The secret of success here is to continually reinforce the 4 principles every chance you get.

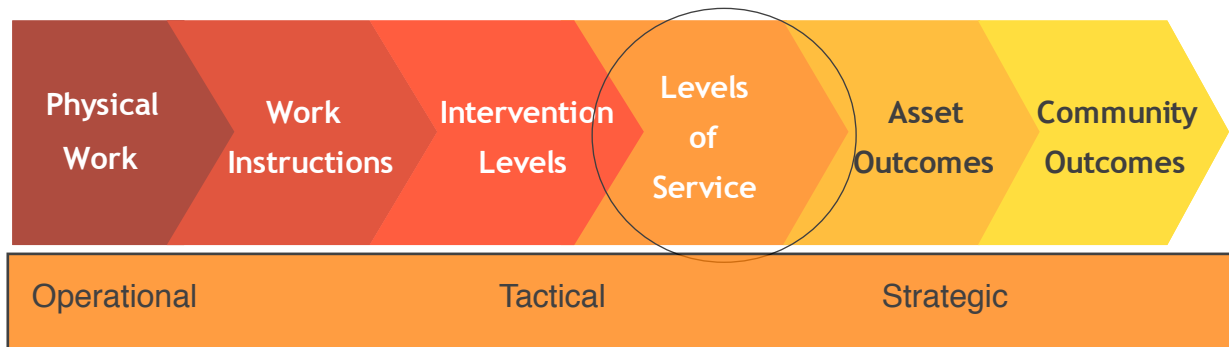
And stay on message! Followers of political campaigns will know how important it is to have a few key themes and reinforce them, rather than a scatter gun approach. And it is as true of asset management as well.

You will recall that in Issue 236 “In the long run we are all dead” I advocated selling the short run benefits of actions that we choose aligned to our long term vision. Long run benefits do not have the persuasive powers that short term benefits do. When selling your SR benefits - slip in a reference to one of the principles. By constant repetition you will create habits - in yourself, your team, your organisation and your community.

Please consider, and enjoy!

Penny

The Missing Middle :Tactical Asset Management



by Dean Taylor, Opus International, NZ

At the Strategic Level

are the broad directions for asset and community outcomes

At the Operations and Maintenance Level

are the actual activities on the ground that make things happen.

The Missing Middle is the Tactical Level,

the level that connects the two. And it does this by focussing on what services are to be provided to meet the strategic goals and vision. This requires defining Service Levels.

In Issue 224, the rules of defining Service Levels were laid out but, as this is a source of some confusion, it is worth re-stating them.

Service Levels

- Are not consultation techniques
- Are not legislation/codes
- Are not specifications or maintenance cycles
- Are not aspirations (e.g. 'To meet user needs')
- Are not performance measures
- Are not a description of assets

Service Levels are GOODS or SERVICES that can be produced and consumed

'The defined quality for a particular activity or service area against which performance may be measured.... Usually relate to quality, quantity, reliability, responsiveness, environmental acceptably and cost' - CCV Manual

Describing Level of Service

Many services are difficult to define and measure, especially park services and services provided out of buildings.

Tangible aspects can be easily described - size, number of, etc.

But the Intangibles, such as shade, privacy, amenity, cleanliness, accessibility, safety, etc. are more difficult. These are the aspects that are best dealt with through applying the technique of Star Ratings (see SAM 224 and 225)

To what extent, quality??			
These service descriptions show evidence of considerable thought but what is the service level - what extent, what quality, where, at what cost?	Cemeteries	Provision of burials and internment facilities for residents. Provision of an open space environment for reflection and remembrance.	Level? \$?
	Water Supply	Supply of potable drinking water and fire fighting capability within the water supply benefited areas.	Level? \$?
	Landscape areas	Provision of attractive streetscapes which enhance the amenity of the city	Level? \$?

SERVICE LEVELS RELATE TO OUTPUTS and OUTPUTS SHOULD

- describe a good or service provided to individuals or organisations external to the agency;
- be chosen for their expected effective contribution to the specified outcome;
- be expressed in terms of what it is (nouns or noun phrases) rather than how it is performed (verbs);
- be within the control of the agency, whether through direct delivery or contractual arrangements with third parties;
- identify what government is paying for, including being measurable in terms of price, quantity and quality
- be amenable to comparison between actual or potential suppliers (especially through price analysis);
- collectively cover all of the agency's activities, including overheads or shared resources allocated across outputs or output groups; and
- specified so that the agency's organisational structure and management systems can be mapped to its outputs (in practice this may be achieved over time). will

Source: Department of Finance and Administration, NZ

'..make more precise what the taxpayer is **getting** from the public sector'

Service Levels are Equally Applicable to Networks such as Roads, Water, Drainage

	Criteria	Description	Weight	Rate	Score	Thresh hold	Performance Measure
Accessibility	Properties have appropriate drainage outlets	Sufficient to allow design event discharge to the public network, pipe or surface channel. includes public property	4	3	12	12	% Availability
Health and Safety	No identified hazards	e.g. Open drains and entry structures have low risk to children	5	3	15	15	Technical Survey, Reported Injury, Accidents
Quality	Specified flood protections (e.g. 50 yr level for land, buildings, other assets)	May be prescribed in part by legislation	5	3	15	15	Technical survey
	Maximum depths during specified flood event	e.g. 200mm to minimise damage potential	3	3	9	9	Technical survey
	Water discharge quality consent conditions	As prescribed, suspended solids, etc	3	3	9	9	Compliance with consent conditions

Service definition (what does the ratepayer receive?)

1. Output Quantity.. How many? parks, plans, meetings, community halls, events, dogs, licences, approvals etc
 2. Output Quality.. To what standard? rules, policies, legislation, star ratings etc
 3. Output Location.. Where? Council wide, specific site(s) etc
 4. Output Time bound.. When? 24/7, Business hours, On request, etc
- Output Cost ..How much?

In essence:

- What produces benefit?
- What costs money?



Service Levels:

It's not what
YOU DO

Its what **THEY GET**

that counts!



The One Page Plan

Service narrative	<p>The Public Toilets place and contribution to the management of human public health is not to be underestimated and it has only been since the first half of the 20th Century that both private and public toilets as we know them have been more readily available. A lack of Public Toilets makes our cities, towns and parks less liveable and enjoyable due to our presently evolved understanding of human health and the social and community expectations for the convenience and amenity they afford. In more recent times the introduction of the uni-sex public toilet is being trialled in response to rising population levels and the need to provide service without greatly increasing the capital and maintenance costs of these facilities.</p>
LoS	<p>Level of Service - There are currently 88 public toilets located throughout the shire but mainly in parks, coastal areas, and high population areas. Each varies in the standard or quality of service provided from a low of 1 star to a high of 4.5 star on a 5 point scale. The average is 2.7 star.</p>
CoS	<p>Cost of Service - The cost to provide this service is currently \$1.335 M or \$15, 170 per facility. This equates to \$19.10 per rateable property per annum.</p>
Preferred LoS/ CoS	<p>Preferred Level and Cost of Service - The cost after moving to a preferred level of service, being 3.5 star average, is \$1.525 M or \$17.136 per facility per annum. This equates to \$21.80 per rateable property per annum.</p>
Issues	<p>Current Issues - The current quality of service being provided is gradually declining as facilities increase in number but decrease in quality because of shortfalls and misalignment in maintenance and renewals allocations. This plan provides for the injection of short term (3 year) funding to lift to the preferred level and then maintain the facilities at this level from that point forward. Specifically:</p> <ul style="list-style-type: none">• A renewal programme of 3 toilet facilities per year is provided for after the initial catch up period• Toilets that are rated 1-2.5 star will be refurbished or replaced over the next 3 years• The 'Loo with a View' in the Shire will be upgraded to a 4.5 star level in 2007/8• Growth factors will see the total number of toilet facilities increase to 95 over 10 years• No major risks to the service or the cost of provision have been identified• Implementation of a Planned Maintenance program in 2007/8 at a cost of \$100,000• The allocation of \$100,000 additional funding for maintenance in 2008/2009• Toilets prone to vandalism will be locked at night

And on the flip side of the plan ... the financials ->

The Cost of Service

	2004/05 (\$,000)	2005/06 (\$,000)	2006/07 (\$,000)	2007/08 (\$,000)	2008/09 (\$,000)	2009/10 (\$,000)	2010/11 (\$,000)	2011/12 (\$,000)	2012/13 (\$,000)	2013/14 (\$,000)	2014/15 (\$,000)	2015/16 (\$,000)	2016/17 (\$,000)
Public Toilets													
Operating Revenue													
Rates & utility charges (less discounts)													
Sales revenue													
Fees & charges													
Operating grants & subsidies													
Operating contributions													
Dividends & interest													
Internal sales & recoveries													
Community service obligations													
Total Operating Revenue	0												
Operating Expenses													
Operations including overheads	644	655	655	655	655	655	655	655	655	655	655	655	650
Maintenance	291	300	400	455	455	455	455	455	455	455	455	455	450
Depreciation	400	405	405	405	415	415	415	415	415	415	415	415	415
Total Operating Expenses	1,335												
Operating Surplus/(Deficit)	(1,335)												
Capital Funding Sources													
Capital contributions - cash	0												
Capital contributions - fixed assets	0												
Capital grants and subsidies	93			60									
Loan proceeds	0												
Asset sale proceeds	0												
Total Capital Funding Sources	93												
Capital Funding Applications													
Renewal work - general	258	850	450	350	350	350	300	300	300	300	300	300	300
Renewal works - trunk													
New works - general	467			207									
New works - trunk													
Contributed assets		150											175
Sub-total	730												
Loan redemptions													
Total Capital Funding Applications	730	1,000	450	557	350	300	300	300	300	300	300	300	475
Depreciation adio-back	0												
Carryover	0												
Transfers (to)/from reserves	0												
Contribution to surplus	(1,572)												
Levels of Service													
Quantity	88	90	90	90	90	90	93	93	93	93	93	93	95
Quality (Star Rating)	2.7	3.0	3.3	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5



RANDOM THOUGHTS

In the course of the day many ideas occur for which I have no immediate answer. Here are a few on STAR RATINGS that were sparked by discussion at the NAMS Advanced Asset Management Workshop in Wellington last week.

RANDOM THOUGHT 1. Star Ratings and Benchmarking.



Star Ratings are an excellent way to determine the service level of individual assets within a portfolio - e.g. each individual library within the libraries portfolio, each individual park or playground, each individual toilet block - in a consistent way that enables the overall aggregate service level to be identified for the entire portfolio.

The Star Ratings approach opens up a wide range of options - capital options, maintenance options, administrative options - to adjust the level of service at the minimum cost.

To aggregate the rating of individual attributes requires that the attributes be weighted in order of importance to the community.

If we wish to benchmark with other communities or organisations, it is necessary that all the weightings be the same.

Sometimes we may find that we are being benchmarked whether we like it or not. And weightings chosen to reflect one community's interests may not gel with those of another.

So the OPEN QUESTION of the day is WHEN is it advisable to select our own weightings suitable to our users; and WHEN is it advisable to adopt common weightings?

RANDOM THOUGHT 2. Service Levels, Star Ratings and Networks



Star Ratings clearly work well for asset portfolios that consist of individual assets (parks, buildings, toilet blocks, etc. And Service Levels can be applied to both individual assets/facilities and for networks, as illustrated on page 5.

BUT do STAR RATINGS work well for networks? So far I have not found a good application of star ratings to roads, for example. I suspect that this is because with networks we have nothing to compare. But this may not be the reason. Ideas?