

AMQ
International's

351

STRATEGIC
ASSET MANAGEMENT

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AM POLICY
for the
PUBLIC SECTOR



In SAM 349 Ruth Wallsgrove explained “How to develop your AM Policy in 30 Minutes”. The method she employed is what is referred to in PAS 55, the British Standard on Asset Management that has been adopted by utilities and manufacturing businesses around the world, is called “Line of Sight”. It refers to the process by which you convert corporate objectives into asset actions in the field, starting with the AM Policy, a high level statement of how the AM team intends to address key corporate issues.

For utilities, which are heavily regulated, profit motivated, and have a limited service range, determining what are the top corporate objectives is not too difficult a task.

But what if you have many objectives all vying for attention? (Local Government) Or what if you have no clearly articulated corporate objectives at all? (Many State or Federal Government organisations).

This issue picks up where SAM 349 left off. Everything that Ruth explained in that issue is still relevant - but the public sector has some additional challenges. This is what we deal with here.

So enjoy!
Penny

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WHAT IS AN AM POLICY AND WHY DO YOU NEED IT?

An AM Policy is **SHORT**; it is also **SHORT-TERM**

It is **SHORT**!

AN Asset Management Policy is a **SHORT** (one or two page) document aimed at decision makers (*not asset planners*) that lists the **TOP CONCERNS** of the organisation and how these concerns will be met by a series of well thought out and costed asset management strategies. It is an outcomes focussed document.

It is short because Decision Makers need to be able to see instantly what it is you are proposing and how it will meet their needs. They have neither the time or the interest to be wading through long documents.



So save the detail of how the strategies will be applied in practice for other documentation aimed at planners and practitioners, **the AM Policy is aimed at decision-makers.**

Because it is short, it addresses only the very top concerns of the decision makers.



This does not mean that you won't continue to address the others, but rather that, for the top significant issues, you demonstrate that you have devised strategies that you will apply now and for which you will track, measure and monitor success.

An AM Policy is SHORT-TERM and subject to change

Although AM is, itself, long term, the AM Policy is **SHORT-TERM**. It lists only the key issues that are **currently concerning** the decision makers (this year, or this election period) It follows that the AM Policy is subject to change, maybe annually, as either:

Your strategies take effect and solve the problems facing the decision makers so that they can move onto the next most important concerns, or as

Organisational objectives themselves change (with government departments and local councils this can be as often as elections take place, or even shorter. Even within election cycles, ministerial portfolios can be reshuffled which is often an indication of a desired change in focus.

ASSET MANAGERS CAN MAKE TWO MISTAKES HERE:



The first mistake is to ignore the essentially SHORT-TERM nature of decision makers key concerns and try instead to substitute their own long-term concerns.

This is often done for the best of motives and with a desire to make their organisations aware of the long term issues. However, it is still a mistake for it convinces decision makers that (a) you don't appreciate their issues and (b) that you are more interested in your own processes than you are in corporate outcomes. This is not an impression that you really want to give.

Your organisation ought to be able to take it for granted that any strategy you propose has been checked for long term sustainability. It should be a given.



The second mistake is to think of an AM Policy as lasting ten years or so. To think this way means that the AM Policy is failing to serve its main purpose of prioritising the very many strategies that you may have to implement.

Your **corporate vision** may indeed last ten years with relatively little change, so that vision statements such as “we aim at a vibrant, healthy community” or “we wish to offer a diverse range of economic activity” can last for many years - **but the way that this vision is put into practice will change.**

One year the focus for a healthy community may be on the creation of more open-space, another year it might be on improving community health services, and yet another year it might be by creating a ‘buzz’ through special events.

You may have an open space strategy, a community health strategy and maybe even a public event strategy, and each of these will continue for many years.

What the AM Policy does is to determine the amount of emphasis that any given strategy has *at the present time*

WHY AN AM POLICY IS IMPORTANT FOR THE AM TEAM

It is an opportunity to demonstrate to your decision makers that

- (a) you understand and are addressing THEIR top concerns
- (b) you have done your homework and have practical strategies to put into action and
- (c) not only can you cost these strategies but you can say how much each of them will contribute to achieving the desired objective.

If you were a decision maker wouldn't you want this from your AM Team?

An AM POLICY may not mandatory - but here is why you should do it anyway.

Public Sector organisations have requirements for a corporate plan (including strategic vision) and for Asset Management Plans, but there is often no requirement for an AM Policy. **This means there is a void.**

You can't afford to do everything. Even without adding up all the actions and costs involved in your asset management plans and strategies, you know that the total cost in both dollars and hours is many times what can be achieved in the current year.

So where do you start? Which plans and strategies do you 'fast forward' and which do you continue at a more moderate pace? What criteria do you use to make these decisions?

The truth of the matter is that, without an AM Policy to give direction to plan and strategy prioritisation, you are adrift.

It is no wonder that there is dissatisfaction at both the decision maker AND at the strategic/operational asset management levels. Neither are getting what they need. The decision makers want assurance that their key concerns are going to be addressed - now! The asset managers want direction on what to do - and recognition that they are doing the right thing.

Neither can happen without the clarity provided by the AM Policy.

WHAT IF YOU HAVE A MYRIAD OF OBJECTIVES? (for Local Government)

Local Government provides many services and each of these services may have a detailed strategy and asset management plan. The AM Policy is not the place to repeat the detail in these plans and strategies. Remember the AM Policy is **SHORT**, and it is also **SHORT-TERM**.

The Asset Management Team must be able to list, with a certain degree of confidence, the top **five** concerns of the council NOW.

Do you know the top concerns of your council (now, off the top of your head)?

Do you have strategies that address them?

That's what goes in the AM Policy.

The AM Policy is not intended to be COMPREHENSIVE, far from it, it is supposed to pick the eyes out of the corporate plan and show that you understand the councillors' priorities amongst these.

It does not mean that you stop doing other things that do not make the cut into the magic five, not at all. It is just that the identified concerns will be measured, tracked and reported on.

A good strategic asset manager needs to keep in touch with the real concerns of council. If you have to fall back on consulting your Council Plan, you will probably end up with more than 5 key issues, and the chances are that they will be so broadly worded as to be non-operational. So choose the 5 that you think you will have most success in implementing, and then put winnable targets in your policy. For example, your Council Plan, may say something like “continue to address Council’s Asset Renewal Gap”. This is meaningless. What you really need is a statement like “reduce the Asset Renewal Gap from X to Y within the next 3 years.” How else can you demonstrate that you are on top of things. You then follow this up with two or three strategies by which this will be accomplished, with the contribution that each of the strategies is expected to make to the total. Now you have something to work with!

Remember every policy in your AM Policy must be measurable and trackable. So don’t use statements such as ‘implement key early childhood education reforms’ or ‘ensure successful commencement of operations of the Sports Park’. These are too vague to be measurable. Vague statements have no power. Compare these with Kennedy’s “Put a man on the moon by the end of the century”. What if he had said, instead, (in true corporate plan speak) ‘continue to support NASA’s exploratory efforts’. (Now, have a look at your own Corporate Plan - how many items there would really set your councillors’ hearts afire?)

When speaking with asset managers, there was a tendency to ‘be fair’ and they wanted to identify the top issue for each asset group or each theme in the corporate plan. However, this misses the point in a number of ways:

- (1) **The AM Policy needs to be aimed at Decision Makers** (not asset planners or asset group managers) You want to get them enthused, and on side.
- (2) **It is thus the Decision Makers concerns we are trying to identify** - not our own!
- (3) **It may be that the top concerns fall into only one or two asset groups. So be it!** The AM Policy needs to address just these. As Ruth pointed out in SAM 349, these are the issues that are debated in chambers and talked about with the media. Some top concerns may not be asset related. Address the ones that are.

WHAT IF YOU HAVE NO CLEARLY ARTICULATED CORPORATE OBJECTIVE? (for State and Federal Organisations)

What if your board or council has no clear ‘top concerns’?

Is this possible? Actually, yes! It is probably unlikely for local government since councils need to communicate their intentions, plans and wishes to the community. However, at a state government level, boards do not feel such a need to communicate to users because

it is not the users of the service (of the library, museum, school system, etc) that will determine the board's success, but rather their rapport with the political level that determines their funding.

In this case, you may find it advantageous to let your winning strategies guide your Policy, rather than vice versa.

Understanding the DNA of your organisation

Asset managers at the state level - and perhaps even more so at the national level - need to understand the 'DNA' of their organisation, as one of our discussants put it. In other words, 'what makes them tick', what drives them. Such organisations are often quite risk averse. Before they take on a challenge as a policy, they want to know that they are going to be successful.

Thus at a state or national level, **it may be helpful for the existence of workable strategies to help drive the AM Policy, rather than have the AM Policy prioritise strategies.**

To explain: If you have a strategy that can address an ongoing concern of all decision makers, say, 'how to save money', you may wish to use this to establish a surrounding policy that can make your strategy even more effective. For example, you may, by establishing energy performance contracts where the private sector takes on the upfront capital costs in return for sharing the ongoing savings, be able to establish a 'winning strategy'.

You can then build an 'energy conservation policy' around this winning strategy. With a well thought out strategy, this now becomes a low risk venture which the organisation can adopt. After it has been adopted, the AM team then has organisational support for addressing other areas of energy saving.

The same approach can be used wherever you can demonstrate that you have a cost effective, low risk, 'solution' to a problem. Present the solution *within the context of an AM Policy addressing the wider problem*. The fact that you have a cost effective solution is likely to sway the decision makers to take on the problem as a 'policy'. Thus you may be able to establish a 'safety' policy or an 'environmental' policy.

WHAT IF AN AM POLICY IS MANDATED - BUT IT IS TREATED MORE AS A COMPLIANCE OBLIGATION THAN A GUIDE?

When I was a University Student, we were required to devise a short outline and then, from this, write our essays. The idea was that from the outline we could easily determine whether all the bases had been covered, and if not, we could research and fill the gaps, and then we could order, and re-order, our ideas until we had them in the most compelling manner. In this way, the essay would proceed more easily and be of a better finished quality.

However, few students ever actually followed this procedure. We would write our essays as inspiration took us and only at the end would we look back over what we had written and cobble together an outline that looked as if it belonged. We regarded the outline as an extra chore, done in the last ten minutes before we needed to hand in the essay. It was done because it was obligatory. What useful function did it perform? None at all!



It seems to me that many asset managers today act the way I and my university colleagues did - we put the cart before the horse. That is we work out our strategies (our essays) without the guidance of our AM Policy (our outline) and then, at the end we cobble together an AM Policy from our extant strategies and hope it will do the job. What is the function of such an AM Policy? Well, none at all. It is a 'make work' obligation. However it doesn't have to be that way.

We can make the AM Policy more productive - and quicker to develop. In 30 minutes indeed - if we follow the guidelines in SAM 349, SAM 350 and SAM 351.

In Summary:

Know your decision makers - what is of greatest concern to them, what drives them, what motivates them.

Demonstrate that you know these concerns, and that you have the answers to them!

Remember that the AM Policy will change quite frequently, don't expect it to last unchanged for 5-10 years, it won't.

WHAT SHOULD GO IN YOUR AM POLICY

Answers to problems

For example, suppose that one of your council's top concerns is to create a first class sporting facilities hub? *Already you have done your homework* and you know which facilities do not fit the new profile and those that do but need upgrading and so one of your strategies could be 'dispose of (3) poor condition facilities and apply the savings to upgrade (7) remaining facilities to achieve a 20% increase in capacity, a superior level of service, and maintenance cost reductions of 5%.' Another strategy - to ensure the long term sustainability of the new sports hub, could be to establish service level maintenance agreements with each of the sports (along the lines of the Arts Victoria service agreements as outlined in SAM 340)

Note that your AM Policy is targeted, measurable, and trackable. Your reports on progress establish your value to the organisation as a management team.

WHAT SHOULD NOT GO IN YOUR AM POLICY

- (1) The AM Policy addresses decision makers (and reflects what they are interested in) It should therefore be outcome and not process focussed.
- (2) Make sure that every item in the AM Policy is OUTCOME oriented, and measurable, with actionable strategies associated with it.



So don't say things like the following - they are purely process and they are not targeted or measurable.

(Note that doesn't mean that these are not extremely important - it just means that they have no place in an AM Policy which is showing decision makers that you understand their issues and will be addressing them.)

- Maintaining commitment to long term renewal funding (in light of political pressures, change of Council, reduction in government grants, funding implications arising from defined benefits superannuation call up, need for urgent Civic Centre rectification works, etc..)
- Keeping up to date with system capabilities and functionality to support existing processes (including demand for mobile solutions)
- Development of better integration between service and asset planning
- Resources to deliver asset management improvements and enhanced operational requirements
- Data integrity and currency

If in doubt, ask yourself one question:

Would this item set the councillors' heart afire, or would they get passionate about this?

If this prescription sounds impossible, ask yourself what **you** would want if you were on the board - vague statements that are meaningless because there is no way of telling whether they have been carried out, or even why they have been carried out - or desirable and clearly possible outcomes that you can boast about?

Why should your board or councillors be any different to you?

**WHAT ARE YOUR REACTIONS
TO RUTH'S
"HOW TO DEVELOP YOUR AM POLICY IN 30 MINUTES" ARTICLE.**

MICK RABY, FAIRFIELD CITY COUNCIL, foreshadows his responses which we will print in the next issue.

If you would like your views in this issue, let me have them

by c.o.b. Friday 12th October (or earlier).

“Along with every other NSW local government agency Sydney’s Fairfield City Council has been working hard to create and implement a higher level competence and capacity to manage its large asset base. As a member of the AM team at Fairfield I therefore read Ruth Wallsgrove’s incisive paper "How to develop an AM Policy in 30 minutes" last month with interest. Not surprisingly I learned a few things. For a start AM theory can be simplified. And one is more likely to “nail it” if one gets the strategy, which drives all future decision-making processes, right. Those points might sound obvious, but they are not necessarily so. For example Ruth’s definition of what is meant by “AM Strategy” is enlightening.

Ruth’s principal experience, and therefore the central cases in her paper, involve single service utilities models and the Ruth’s message might need some massaging before a neat applicability to the diverse, multi-service, multi asset class local government context becomes apparent. So Fairfield City Council’s Manager - Special Projects, David Niven and I are working over Ruth’s single-service AM lessons to hopefully a more general application that might have specific value in a local government context.

At this point we have some broad thoughts about there being two major divisions of local government assets: the first might be described as “public domain type assets” such as roads, footpaths, drainage and community buildings which we hold in trust for our communities. Potentially the master AM strategy for this type of asset group should involve an ESD Four Pillars based statement about intergenerational equity for example.

The second division of assets might be described as those that exist, not for direct public benefit, but which provide the means for local government to function operationally. This group might be described as “corporate assets” and would include depots, fleet and plant assets, administrative buildings and council chambers, IT systems, etc. The master AM strategy for this type of grouping would logically revolve around more fundamental economic and efficiency based objectives.

Our intent is to develop this line of thought more deeply and publish our substantial thoughts in the next edition.”

Over to you!