

# Asset Management - What do we do next?

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# **Asset Management – What do we do next?**

**Moving to a unified approach to asset management for improved efficiency**

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# **Asset Management – What do we do next?**

## **Moving to a unified approach to asset management for improved efficiency**

### **Introduction**

Local authorities are facing the challenge of meeting increasingly stringent requirements for continuous improvement in efficiency, compliance and customer service. In moving forward to meet these requirements a number of Government initiatives need to be addressed that impact asset management. Steps have been taken by local authorities to meet these requirements and gather the asset management data needed to monitor and improve performance in specific areas. However, to meet the increased drive towards efficiency and best practice a more strategic approach is needed to ensure that targets are met across the whole portfolio of assets.

This white paper looks at

- ❑ The existing asset management process;
- ❑ Government initiatives which are driving change and impacting the asset management process;
- ❑ Actions to take towards the holistic management of assets across the local authority portfolio.

### **The Asset Management Process**

#### **Aim of Asset Management**

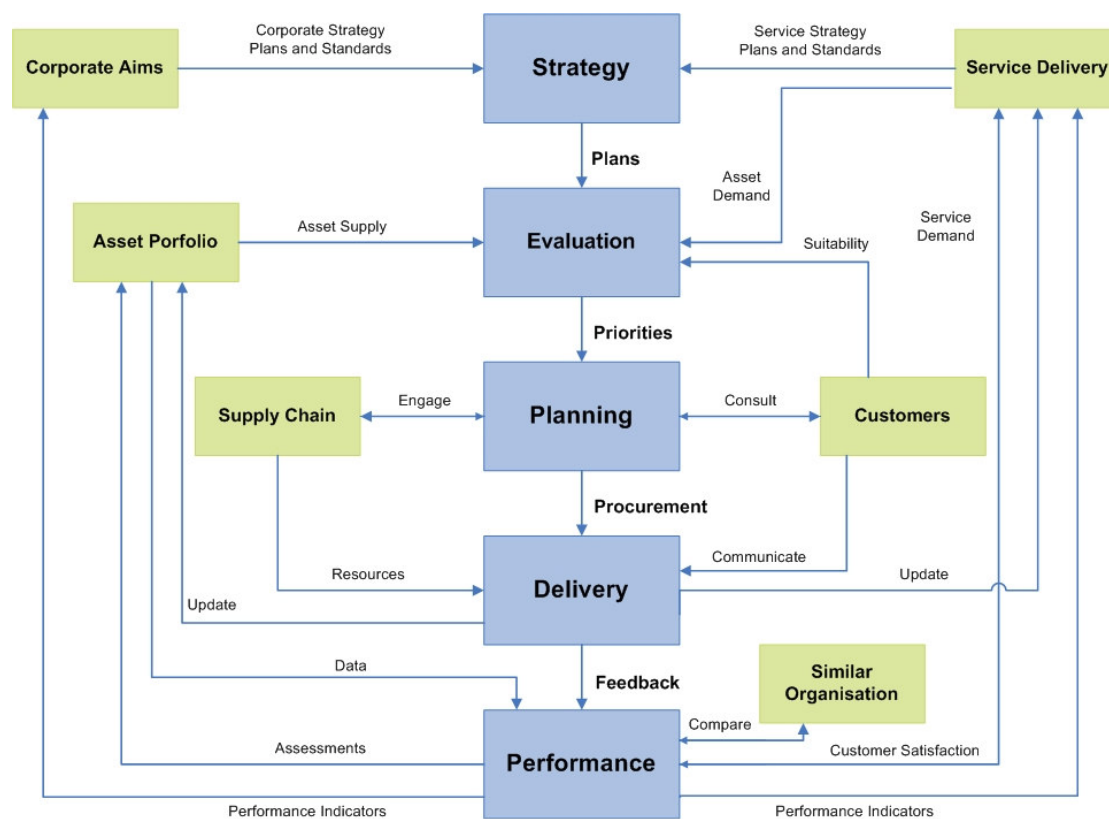
The aim of asset management is to ensure the quantity and quality of land and building assets are provided to:

- ❑ efficiently and effectively facilitate the delivery of the required service; and
- ❑ represent value for money.

#### **Asset Management Model**

Asset management planning is not a static event but a dynamic process with inputs, and consequently outputs, which are constantly changing. This process is represented in the following diagram.

**Figure 1: Asset Management Model**



Source: M<sup>squared</sup> Consultants Ltd

The model identifies five stages which need to be addressed:

- ❑ Strategy - setting out the strategic framework by identifying the corporate and service aims, objectives, standards and constraints;
- ❑ Evaluation - understanding the supply and demand models for land and property and prioritising within the strategic framework;
- ❑ Planning - taking the priorities and carrying out option appraisals to identify and plan actions and the procurement of project resources;
- ❑ Delivery - carrying out the investment and disposal plans;
- ❑ Performance – measurement of both the product (assets) and processes for internal and external benchmarking.

## Drivers for change

Whilst managing this complex and dynamic asset management process, Local Authorities also need to meet the challenge for continuous improvement. In moving forward to meet this requirement a number of external initiatives need to be addressed.

### □ **Comprehensive Performance Assessment (CPA)**

The CPA which has been in place since 2002 will become more stringent in 2005, with more emphasis on outcomes for local people and value for money.

The Use of Resources, in particular the Financial Management and Value for Money Key Lines of Enquiry are relevant when considering a council's management of its assets. In the 2004 Use of Resources assessments most authorities were rated highly with a 3 or 4. Under the new CPA framework, however, a council will have to attain a higher standard to achieve such a rating.

Auditors assessing the management of a council's asset base in the future will look for evidence the following are in place:

- An up-to-date asset register and up-to-date asset management plan;
- Asset management is a corporate function;
- The asset management plan is linked to the Council's corporate and service delivery strategies;
- Decisions are based on a rolling programme of property surveys;
- The priority of potential projects is based on a formal, objective approval process;
- Backlog maintenance can be identified and addressed;
- Performance indicators that link asset use to corporate objectives are in place;
- Investment and disposal decisions are based on thorough option appraisal and whole life costing.

### □ **Gershon and Delivering Efficiency in Local Services**

Four strands within these two initiatives are relevant to asset management, including:

- Better use of, and rationalizing of, current portfolio;
- Better procurement of work;
- Home and flexible working; and
- Disposal of public assets (Lyons agenda)

Both initiatives also emphasise the importance and wider use of eGov.

❑ **National Land and Property Gazetteer (NLPG)**

Although most Councils are committed to adopting NLPG compliant systems, very few have realised this commitment and by August 2005, only twelve English and Welsh local authorities had reached NLPG status 4 or 5 – that is, they have datasets in a BS7666 format linked to the official unique property reference number (UPRN). Without implementing BS7666, the Council's UPRN system will not be nationally recognised and will make it difficult to communicate with external data and systems.

❑ **Department for Education and Skills (DfES)**

The DfES are very specific about the content and structure of their returns and have required local education authorities to electronically submit condition, suitability and net capacity returns for a number of years. In future, water and energy consumption and curriculum analysis for secondary schools will also be required.

❑ **Building Schools for the Future (BSF)**

The BSF is the biggest single government investment in improving school buildings for over 50 years, with the aim of rebuilding or renewing every secondary school in England over a 10-15 year period.

The programme highlights the need for:

- Procurement and contract standardisation;
- Removal of repeated bidding;
- Estate rationalisation;
- Construction efficiencies;
- Off-site and modular construction, and
- Life-cycle costing and facilities management efficiencies.

❑ **Sustainability**

The European Performance of Buildings Directive is expected to come into force on 1 January 2006. This is a major influence on the proposed changes to part L (Conservation of fuel and power) of the Building Regulations. In addition, the Government plan to issue the Code for Sustainable Buildings in April 2006 and this is targeted at public sector buildings. All these changes are not only crystallising and codifying the performance of buildings, but are moving sustainability up the asset management agenda.

## Where we are now

Most local authorities have already collected the following asset management data:

- ❑ Premises;
- ❑ Condition;
- ❑ Access (disabled);
- ❑ Asbestos;
- ❑ Suitability for schools; and
- ❑ Sufficiency for schools.

However, these datasets often reside in a variety of different databases and are generally used to inform specific areas, including:

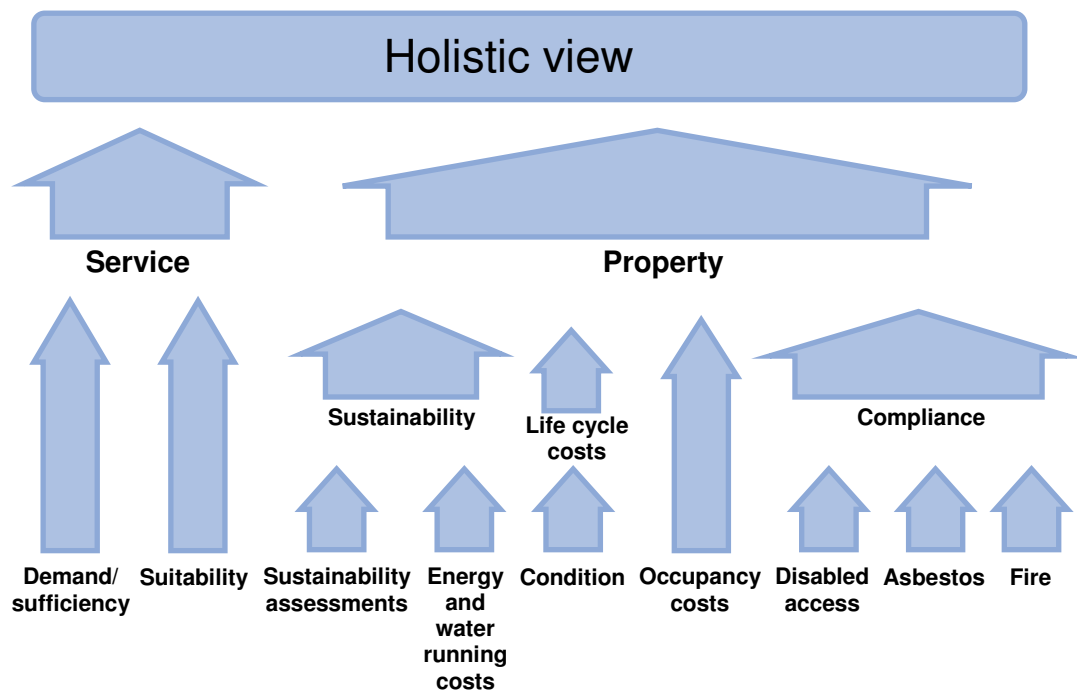
- ❑ The planned maintenance programme;
- ❑ Specific programmes such as disabled access;
- ❑ The capital programme;
- ❑ Returns, such as those required by the DfES; and
- ❑ A number of performance indicators.

## Emerging themes for asset management

Clearly a number of themes of particular interest to asset management are emerging from the drivers for change. High in the list of these emerging themes are the following:

- ❑ Asset management is a corporate function;
- ❑ A single asset register, based on a nationally recognised structure, is used for all asset management databases;
- ❑ Asset management decisions should be based on an holistic view of the asset including condition, access for the disabled, asbestos, suitability, sufficiency, sustainability, use and costs in use;

**Figure 2: Emerging Themes for Asset Management**



- ❑ Asset management data should be comprehensive, reliable and kept up to date;
- ❑ The criteria for prioritisation of potential investment and disposal options to rationalise the portfolio should be based on the Council's corporate and service delivery objectives and strategies;
- ❑ Evaluation of investment and disposal options should be based on thorough option appraisal and whole life costing;
- ❑ Procurement of work should continue to develop Egan principles, particularly by engaging with the supply chain;
- ❑ Effective performance indicators should be in place.

## What do we do next?

In order to address these emerging themes, an action list should be drawn up. The action list should include the following (if they have not already been carried out):

<input type="checkbox"/>	A member has been allocated portfolio responsibility for the council's fixed assets and there is a corporate team of officers to support this responsibility
<input type="checkbox"/>	A single, up-to-date NLPG compliant asset register, based on BS7666, is used for all asset management databases
<input type="checkbox"/>	Suitability and sufficiency assessments for non-school assets
<input type="checkbox"/>	Use assessments (e.g. curriculum analysis for schools) for all assets
<input type="checkbox"/>	Sustainability assessments for all assets
<input type="checkbox"/>	A rolling programme of assessments that keeps asset data up to date
<input type="checkbox"/>	Historical running and occupation data for all assets
<input type="checkbox"/>	Whole life costing data, preferably triggered by the condition data, thus addressing backlog maintenance
<input type="checkbox"/>	Processes and tools to record and maintain asset data
<input type="checkbox"/>	A formal, objective method of prioritisation that brings together corporate and service objectives with an holist view of the asset
<input type="checkbox"/>	Investment and disposal decisions are based on thorough option appraisal
<input type="checkbox"/>	Rationalised procurement fed by reliable forecasts of programmes of work, preferably based on Egan principles
<input type="checkbox"/>	Engagement with the supply chain to achieve more efficient delivery
<input type="checkbox"/>	An appropriate set of internal and external performance indicators to: <ul style="list-style-type: none"> <li><input type="checkbox"/> measure internal efficiency gains,</li> <li><input type="checkbox"/> ensure corporate and service delivery objectives are being met,</li> <li><input type="checkbox"/> compare performance with other councils.</li> </ul>

## **Conclusion**

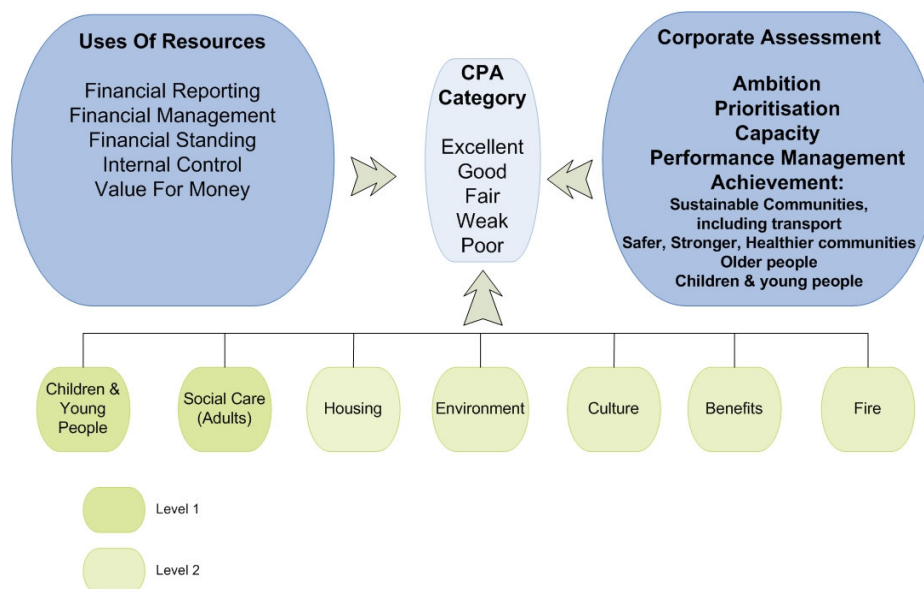
With ever increasing pressure on Local Authorities to perform in cost-effective ways, there is an urgent requirement to review the business systems which support Asset Managers within the organisation. Lack of effective information delivered in an efficient way may well cost Local Authorities loss of direct grant or even incur penalties against standard grant availability if inadequate management practices lead to the inefficient use of the authority's valuable resources. In line with many of the Government's recent e-Government initiatives, authorities with best practice may well be rewarded at the expense of those authorities without.

## Additional Information and Sources

### Comprehensive performance Assessment (CPA)

**CPA – the harder test – Single tier and county councils’ framework for 2005 (October 2005)**

The strengthened methodologies will assess the following:



**(Source: Audit Commission)**

### National Land and Property Gazetteer (NLPG)

**UPRN References** - The UPRN references a 'Basic Land and Property Unit' (BLPU). The BLPU is linked to a street as defined in the National Street Gazetteer. The BLPU should be the highest common denominator which can be aggregated into the 'legal properties' found in terrier systems, the 'physical properties' found in engineering/surveying systems and the 'functional properties' found in service delivery systems. Although these relationships can be easily held in a relational database, they are best illustrated if held in a geographical information system (GIS).

### Department for Education and Skills (DfES)

**Curriculum Analysis** - The curriculum analysis is interesting as it introduces a tangible method of recording the service delivery requirement in a form that can be easily translated into an asset requirement. Although the curriculum analysis is specific to schools, the principles can be extended to a general 'use analysis' which is capable of translating any service delivery requirement into an asset requirement to support suitability and sufficiency assessments.

## About the Author

Terry Pitt is a Chartered Manager and Chartered Surveyor with over thirty years' experience in property and construction, principally in housing and property asset management.

During this time, Terry has worked both in the UK and overseas for a wide range of private and public sector clients including Kent County Council, Hong Kong Government, South Africa Prestige Building Unit, Prudential, NatWest Bank, Home Housing Group, Housing New Zealand, and The Audit Commission.

In addition, Terry has managed research projects for United Bristol Healthcare Trust; made presentations at professional and research conferences in the UK, Europe and the Far East; lectured to post-graduate students at the Universities of Bath, Kingston, Lund, Wales and West of England; and been a member of RICS committees such as the Condition Survey Working Group.

## About ATRIUM Software

ATRIUM Software is a leading supplier of property management and planning software and services to the public sector. Founded in 1991, ATRIUM Software's client base encompasses more than 50 organisations throughout the UK, including local government departments, police forces, facilities management consultancies and transportation.



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