

Strategic Asset Management Guidance

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	<i>page</i>
Acknowledgements	3
Introduction	3
Strategic Property Asset Management – the CPA Challenge	4
Strategic Property Asset Management – Links to Other Assets	4
Reputation – the Unacknowledged Asset	5
Asset Assessment Criteria	5
Influencing Factors	6
Seasonal Strategic Planning Cycle	6
Reporting Template	7
Accountability and Responsibility and Governance	8
Performance Measurement and Reporting	8
Top Down Checklist	8
Technical Checklist	9
Footnote – Cutting the Gordian Knot	9

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We also fully appreciate that these guidelines build on and develop much good work both published and unpublished by RICS, Coprop, ACEs and others over a number of years. In acknowledging the guidance of these professional organisations we are minded of the particular contribution of some dedicated individuals.

Introduction

Since the late 1990s, Asset Management has moved closer to the forefront of Local Authority corporate planning. The resulting change in emphasis has been widely acknowledged by Local Government property practitioners and there has been much discussion and guidance issued by professional bodies and groups.

Considerable strides have been made by most authorities to improve the management of their physical assets. These guidelines acknowledge the debt to and build on the progress of those institutions, groups and individuals who have catalysed progress in their own and other organisations.

That said, there remains work to done and asset management and asset planning does not always sit comfortably with key decision makers and influencers priorities and timetabling.

Given history and progress made from the professional/technical perspective, it may be timely to consider asset management in the context of outcomes and corporate strategic planning. To gain the timely attention of corporate planners and to establish a practical balance between asset planning and asset management and service and corporate planning cycles, will require a wider focus. It is more than simply the pursuit of an efficient and effective portfolio which contains revenue costs and releases capital for reinvestment.

This wider focus will include:

- Supporting current and future service improvements;
- Providing assets to facilitate partnership and collaboration;
- Catalysing regeneration, community cohesion and capacity building;
- Enhancing end user satisfaction and organisational reputation; in other words,

Having an efficient and effective portfolio which allows the authority to both manage property running costs and release capital for reinvestment – whilst at the same time contributing to wider corporate and evolving service objectives.

These guidelines are not about overlaying new advice over old, they are about emphasising the importance of introducing property asset planning and management into the corporate and service planning process in a timely and appropriate manner. It is not so much directed at property professionals, rather it seeks to gain the attention of those engaged in corporate and service planning.

Strategic Property Asset Management – the CPA Challenge

Evidence that property asset management is being increasingly recognised as a barometer of organisational effectiveness is provided by CPA guidance. Importantly, the 2005 guidance was seen as a hardening of view around Use of Resources in general and asset management in particular.

Level 2 guidance talks about the need for an up to date capital strategy and asset management plans which describe management arrangements and plans to improve asset use. The emphasis here is on technical issues – asset registers, backlog management, programmes of work, designated reporting and allocated responsibility. And the ability to translate information into plans for action.

Level 3 is concerned that Authorities can demonstrate Elected Member engagement and portfolio responsibility and those mechanisms are in place to translate plans into action with both formal approval and monitoring arrangements. Here the emphasis has shifted into a view of the Authorities ability to translate plans into action and measure their performance.

Level 4 sees a move to interrogate the Authority's ability to link its physical asset use and performance to corporate and service plans and measurable continuous improvement and how it communicates with stakeholders - perhaps acting as a preamble for today's call for collaborative action.

It is the different sort of challenge which the Level 4 KLOES present that provides the principal motivation for these Guidelines.

Strategic Property Asset Management – Links to Other Assets

Property assets have relationships to other assets. These relationships are external and internal. These relationships need to be understood, since whilst there are clear positive outcomes from harnessing the links, there are negative interactions affecting other assets which can compromise wider performance improvement.

Decision makers need to be able to consider the wider organisational implications of options and choices. Given the move to more partnership and collaboration this is increasing complexity and choice.

The external relationships are principally about how they relate to assets held by other organisations, the understanding of which may expose (say) opportunities for rationalisation, cost sharing and service improvement. This is particularly relevant with the increasing emphasis on collaboration and partnership and multi-agency working.

In order to respond to the White Paper: "Strong and Prosperous Communities" and to acknowledge the important message about making full use of physical assets contained in the Quirk Report, it will be necessary to have a full and rounded view of both the asset as it presently used and how it *could* be used. And an understanding of the opportunity cost of underutilised property.

Whilst the contribution of property assets to achievement of LAA, LSP and Community agendas is understood by each contributing partner, this is unlikely to be sufficient. Partners must be able to see *all* the assets and *all* opportunity. This is about communication and sharing issues and plans.

Also, in organisations where property has been customarily “held” by departments, it may be helpful to approach opportunities from an external perspective. This is to acknowledge the complicated relationships between assets and users - whilst it may be self evident that property is corporately owned, it is often helpful to set this in the context of a wider public realm.

The internal relationships are about the relationship of property assets to other organisational assets. Some of these relationships are well understood by most, but it is rare for the significance of all relationships to be identified in the planning process. It is as much about risk management as it is about asset management.

- 5 These property asset relationships are to:
- People - staff who work in/use the property;
 - Finances - cost and opportunity cost;
 - ICT - needs and provision;
 - Reputation – negative and positive contribution.

We see the ability to meld the above relationships into a coherent resource management plan as critical to success. This is, however, fraught with practical difficulties – often described as “communication issues”.

We see the crux of the problem as lying in the different speed at which each asset can react to change and the solution as one of timing and sequencing. All assets are dynamic in the medium to long term and the information and decision making timetable needs to reflect the long term nature of many property issues.

Reputation – the Unacknowledged Asset

In considering Links to other Assets we have identified reputation as a separate organisational asset. Because reputation is an intangible asset, it is easy to overlook or dismiss. Our view is that the positive contribution that good asset management can and does make to organisational reputation should not be underestimated.

Assets can contribute positively and negatively to reputation and, importantly, are often highly visible. Physical assets (and we include highway assets here) can be a most obvious and tangible demonstration of what a local authority stands for and does.

Also overlooked are the mixed messages which local authorities can send out through the medium of property assets, for example:

- Staff are our greatest asset - but we house them in sub standard accommodation;
- We have budgetary constraints - but we still maintain under utilised buildings;
- We work in partnership – but we can’t find a way to share premises.

We would see Reputation issues being best accounted through the internal and external issues report mechanism. See below.

Asset Assessment Criteria

When assessing the assets and particularly when considering implications or opportunities in the context of other assets, it is helpful to adopt consistent criteria, say:

- Fit for purpose now and in future; including at least
- Utilisation and Future Capacity;
- Costs in use;
- Condition and Future Liability;
- Environmental impact.

Whilst understanding the inherent inflexibility of physical assets, it is particularly important to make every effort to future proof decisions around assets.

Influencing Factors

Changes in government policy, regional and sub-regional and local agenda will have an effect on strategic asset management. If the asset planner tries to accommodate these issues as part of the asset planning process, there is a risk that introduction of these (mostly) external factors here will add complication. Better that these factors are simply fed through appropriate connections to the service and corporate planning processes.

It is increasingly important to acknowledge wider context and recognise the various influencing factors which influence planning and decisions around assets. The sequenced process must build in explicit reference to corporate or service driven influencing factors as part of the Issues Report (see below).

There will, however, be instances where policy is most appropriately driven through the property asset route. Here, an obvious example would be (say) environmental impact. It is suggested that property linked Influencing Factors are best dealt with as part of the Asset Assessment Criteria (above noted). This approach would apply to any property specific/driven policy initiative and would ensure that new initiatives are introduced in balance with existing Assessment Criteria.

Seasonal Strategic Planning Cycle

The guidance given to local authorities on asset management in recent years has tended to concentrate on the practical asset planning issues and has been stimulated by government exhortation supported by the property professions. Unsurprisingly, this has normally been rapidly responded to by property professionals (see figure 1).

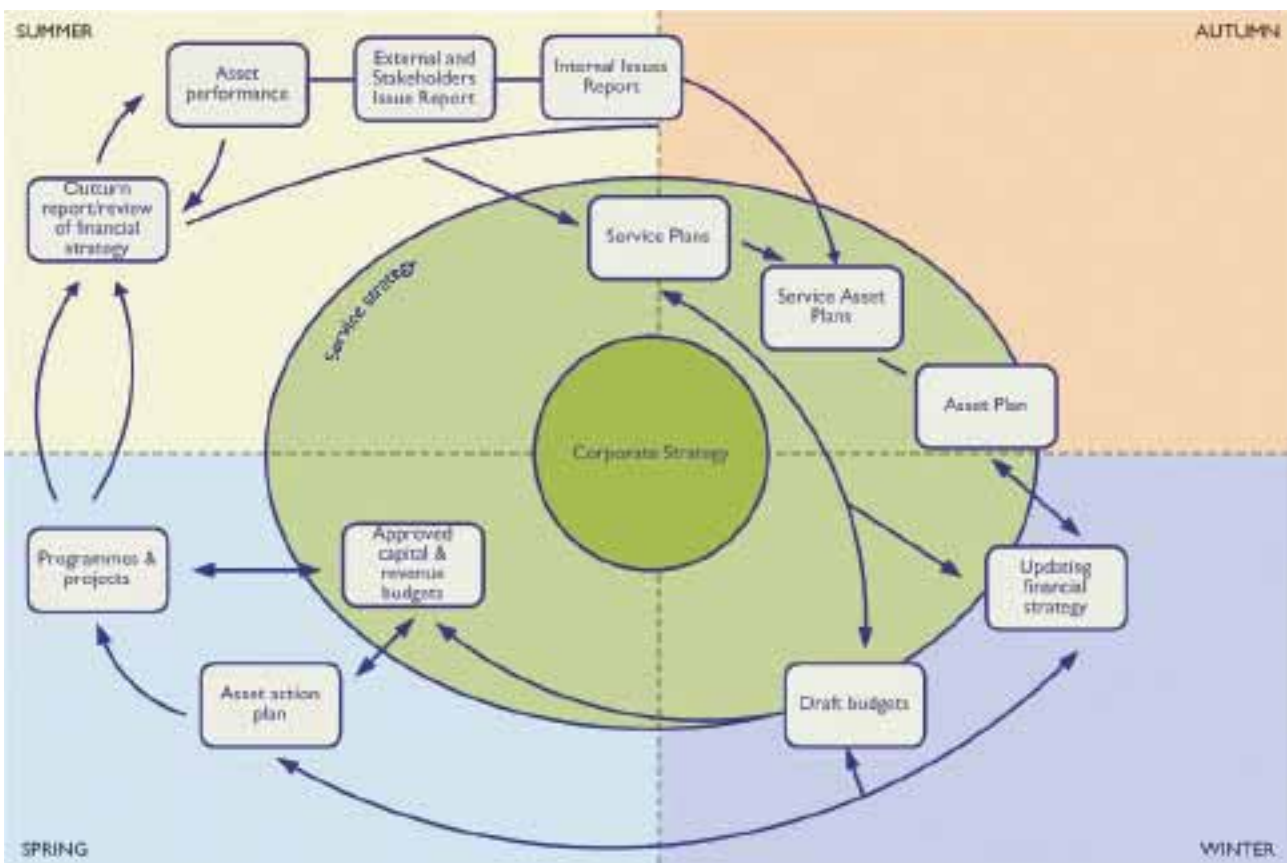


Figure 1.

The technical flavour of much of the advice and the constituency from which it emerged may, however, have diluted some of the strategic weight of the message. This risk of dilution is most obvious where the language and tenor of the translated advice appears to be professionally rather than corporately driven.

We believe that the best way of ensuring that asset management properly contributes to service and corporate planning processes is to embed a cyclical and iterative approach to strategic asset management which aligns and supports corporate and service processes.

In practice this is challenging for complex organisations. Understanding the principal reasons why this is so provides a strong indicator as to ways to effectively respond to the challenge.

In practice there are two main reasons why organisations will struggle. The first is that vertical structures do not encourage (and can frustrate) passage of information across the organisation. The second is that formal organisational structures do not nurture levels of trust between colleagues to release tacit knowledge and enhance problem solving capacity. These are major barriers to success. An approach to simply, inexpensively and effectively deal with these barriers is outlined at the end of this paper.

Importantly, the rationale underpinning the need for corporate asset planning and management is best promulgated in the language of service outcomes and in the context of sound corporate management.

Reporting Template

It is not the purpose of these guidelines to provide detailed advice on how to translate asset planning outcomes into action or delivery on the ground – this is well understood and varies to suit local circumstances (see figure 2).

Rather it is to provide guidance on how best to ensure that asset planning and management issues and opportunities are considered at an appropriate time in the corporate planning and service planning cycles.

Strategic information should be held and presented in a way which provides both clarity and facilitates good decision making, uncluttered by operational issues and concerns.

We also see the continuing difficulty of appropriately engaging corporate and service policy makers by property professionals as an issue of currency. Property professionals who resolve issues by the exercise of judgement and measure performance in terms of professional standards will be at a disadvantage. Better the clarity of numbers – underpinned by pragmatism and supported by business cases.

In order for corporate and service policy and decisions around assets to emerge with clarity and coherence, sequencing and timing will not be sufficient. Currency must be consistent. It must be the common currency of evidenced hard numbers.

Accountability and Responsibility and Governance

A straightforward approach to governance and clarity of roles and relationships will do much to improve ease of timely decision making. The principle underpinning the advice below is that whilst responsibility can be delegated, accountability cannot.

Most authorities have identified individuals whose function is Corporate Property Officer. This individual may be a property professional and he or she may sit on the Corporate Management Team. That said, a member of Corporate Management should have accountability for property assets and that accountability remains with that individual, notwithstanding that individuals ability to delegate responsibility to an appropriate colleague.

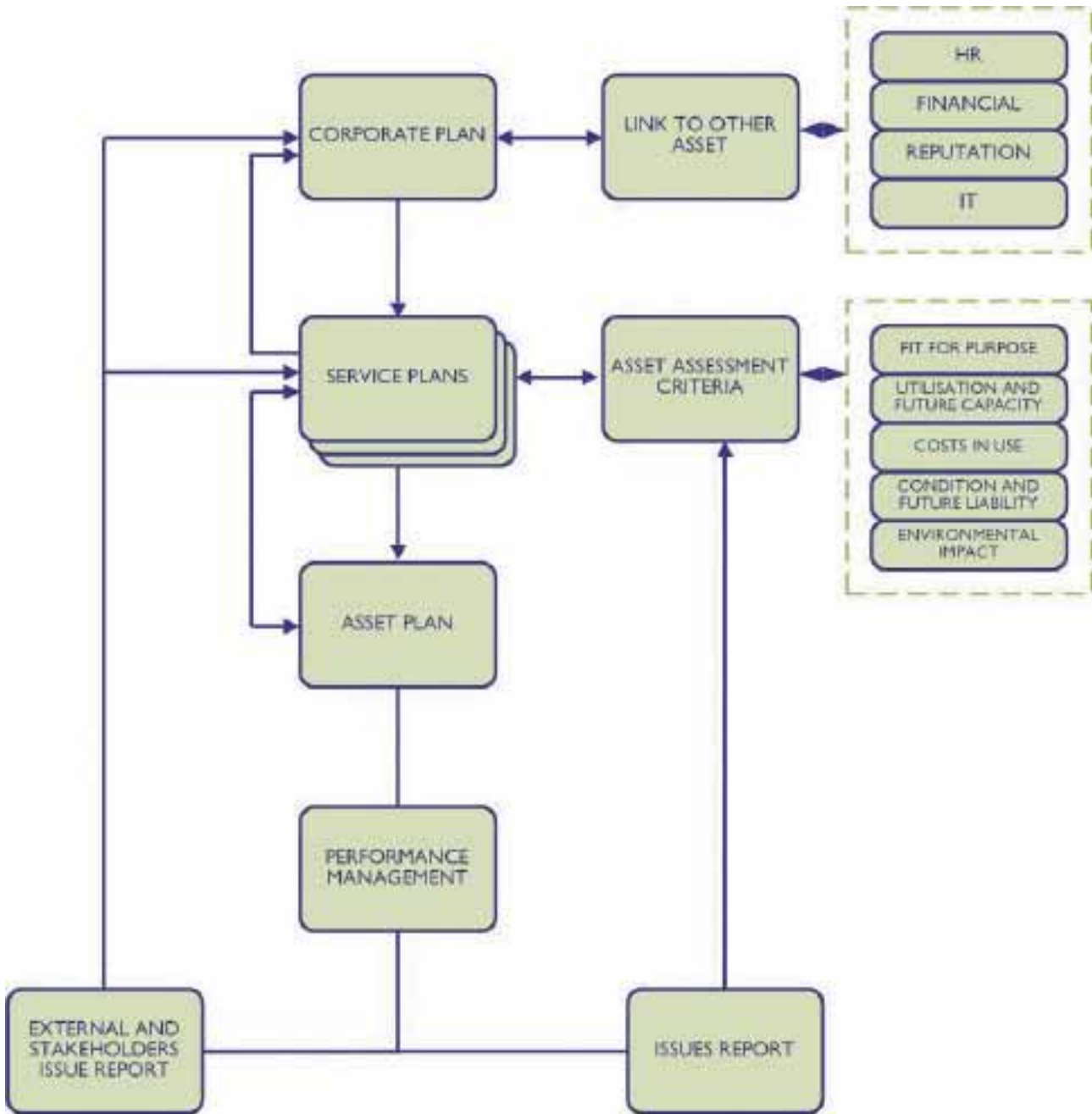


Figure 2.

Make sure that property asset management enjoys both appropriate level of ownership and clarity of accountability for the performance and contribution of property assets.

This is particularly important when considering the relationship between the Elected Member with portfolio responsibility for property assets and the Corporate Property Officer – especially if that individual is not a property professional.

Performance Measurement and Reporting

Whilst it is not the purpose of this report to detail performance management arrangements (there is a wealth of occasionally helpful information available elsewhere), it is important to emphasise that there must be an appropriate mechanism to respond to issues and opportunities in the corporate planning cycle.

Top Down Checklist

The following comprise a strategic check list arranged under activity headings and designed to give corporate management teams a handy reckoner of strategic management health.

Who provides strategic direction?

- Is accountability for strategic asset management at management team level;
- Do asset management plans flow from service objectives;
- Do asset management plans compliment corporate objectives;
- Do asset management plans engage appropriate external stakeholders;
- Do asset management plans reflect links and connections to other assets
- Is the planning cycle arranged to allow timely consideration of asset issues?

Do property assessments follow a consistent methodology?

- Are assets fit for purpose – now and going forward;
- Are assets used sub-optimally – now and going forward;
- What does it cost to use and hold the asset;
- What is the condition of the asset and future liability;
- What are the environmental implications associated with each asset?

Have we set the appropriate priority for asset management and do we have the knowledge, skills and capacity?

Technical Checklist

And for the property professionals, do they:

- Identify needs, priorities and actions from a service perspective;
- Proactively identify disposal opportunities;
- Ensure that purchase and procurement demonstrates value for money;
- Understand their supply chain dynamics;
- Monitor the performance of the supply chain;
- Recommend the most appropriate KPIs; and most importantly
- Understand the symbiotic relationship of property assets to organisational finance and opportunity cost, to its staff, to its ICT performance and to its reputation with its stakeholders?

Footnote – Cutting the Gordian Knot

We see the key to fully realising the strategic asset management challenge as being in both understanding the limitations of vertical structures and understanding how to respond to those limitations. But, matrix structures and other “patches” are not the answer.

So what is?

We say that addressing this type of challenge is about harnessing the power of informal networks of colleagues. This recognises that most achievement in complex organisations is driven through horizontal relationships between colleagues, not through formal structures. It also recognises that improving levels of trust between colleagues releases tacit knowledge, improves problem solving capacity and enhances working relationships.

So how is this done?

- By identifying appropriate individuals in the overlapping networks of relationships directly and indirectly concerned with property assets – the internal strategic asset population;
- Identify appropriate individuals from stakeholder and partner organisations who can contribute, influence or inform the process – the external strategic asset population;
- Determine appropriate family groupings based on (say) Assessment Criteria, Corporate Links and Service Links;
- Agree Relationship Criteria for assessing relationship strength (say) frequency, level of engagement;
- Upload the populations, groupings and criteria on to a social network analysis framework to allow individuals to input via coded access (a web based product such as Accord P2P using UCnet is an example of a straightforward approach);
- Analyse responses using graphics and tailored algorithms and identify the style, shape, strengths and weaknesses of the sophisticated network of relationships – how it works (or not) and what makes it tick (or not);
- Recommend practical ways of building on the identified strengths and working on the evidenced weaknesses of the strategic asset networks of individuals to allow improving full and timely engagement with corporate and service planning processes.

10

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