RICS Public Sector Asset Management Guidelines

A guide to best practice
RICS Public Sector
Asset Management Guidelines

A guide to best practice

Edited by
Keith Jones

and
Alan D. White
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In 2006, we were approached by RICS to produce public sector guidelines on property asset management. It had identified a need for the guidelines for the following reasons:

- The subject has been at the forefront of public sector property thinking for some time and whilst its application was previously primarily in local government, interest and expectations were spreading to many other parts of the public sector.
- The subject is a challenging area for chartered surveyors and other property practitioners, as it requires skill sets that are as much to do with management and business processes as they are to do with mainstream property expertise.
- It was felt important to set out the key features of good property asset management practice for members and other property practitioners.
- An initiative was needed to identify and explain the wide range of skill requirements applicable across the whole of public sector property asset management, which would become the main reference point for asset managers. If, subsequently, specific guidance in a particular sub-sector is needed, then more focus on that area will be able to be developed using the overarching framework provided by these guidelines.

So, we embarked on what has proved to be a longer journey than we all expected! We have had great support from RICS officers, who had the foresight to take the initiative in the first place, and we have been very fortunate to have a good team of authors, and a good publishing team, to work with. Many representative bodies have also been keen to support us. We thank all these people and organisations sincerely for their time and effort in assisting with the preparation of this publication.

We took the decision to ask a number of specialists to write some of the individual chapters and so we became editors rather than authors of the whole publication. The text was actually written quite quickly. The time has really been consumed by logistics – identifying the right authors (and then getting them to agree to do it!), bringing consistency to the text, honing the text down to a manageable length, getting consents and approvals, typesetting and printing and so on.

However, we feel that the effort has been very worthwhile. We hope you do too.

Keith Jones
Alan D White
January 2008
Public sector asset management first came into the spotlight in the early 1980s. The Ceri Davies report\(^1\) on the NHS estate, the Cabinet Office report\(^2\) on Central Government office accommodation and the Audit Commission report\(^3\) on Local Authority property all highlighted issues of under-use and a reactive approach to property asset management. These reviews provided a platform for a major process of improvement – a search for new and better ways to manage the valuable public sector resource and asset base: property.

At the same time, the last 25 years have seen rapid changes in all aspects of working practices and the public sector has not been immune to these. The pervasive impact of technology, the rise of the service culture and search for greater efficiency in the use of all resources have challenged professionals to deliver new and more responsive property solutions to meet the needs of the occupiers, customers and a wide range of other stakeholders.

Responding to these challenges, academics, consultants and advisory bodies have developed tools and techniques to help asset managers proactively deal with their portfolios. New financial management tools, a better understanding of information and performance monitoring, and new approaches to the use and management of the workplace are but a few of the areas which have seen considerable progress. Additionally, a wide range of public sector groups\(^4\) have formed strong communities of practice who have captured and shared best practice, providing real evidence of the impact of these ideas. Consequently, there has been a considerable increase in knowledge about how public sector organisations can gain more from their property and this has resulted in a more strategic and systematic approach to asset management.

These guidelines therefore come at an opportune time. They pull together an extensive body of work and take a holistic approach to property asset management from strategy development to implementation. By drawing together a wide range of guidance, techniques and practice, it becomes a single authoritative source of much of the best material currently available.

I commend these guidelines to all those who have a real interest in improving the performance and contribution of property to the overall goals of their organisation. I have no doubt that it will become an essential resource for practitioners in the public sector and beyond.

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\(^1\) "Underused and Surplus Property in the National Health Service", Department of Health and Social Security, HMSO, London, 1982 (Chaired by Ceri Davies).


\(^4\) ACES (Association of Chief Estates Surveyors), COPROP (Association of Chief Corporate Property Officers in Local Government), AUDE (Association of University Directors of Estates) and OGC (Office of Government Commerce) are a few of the groups.
Acknowledgements and Contributors

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Glossary

**Asset**

The term ‘asset’ can be used to describe many different types of assets, for example, financial assets, infrastructure assets, plant and machinery, equipment and property. For the purpose of these guidelines the term ‘asset’ is used to refer to land and buildings.

**Asset base**

The entirety of the land and building assets owned or occupied by an organisation.

**Asset base performance measures**

The measures grounded in an organisation’s strategic objectives. They fit into four key categories or perspectives, based on the ‘balanced scorecard’:

- **Financial** – ‘traditional’ balance sheet and other financial measures.
- **Customer** – satisfaction issues from the customers’ perspective.
- **Internal** – the extent to which internal working practices contribute towards the successful delivery of corporate objectives.
- **Innovation and Learning** – intended to help drive improvement in financial, customer and internal process performance.

A fifth category may also be added to address wider social, economic and environmental/physical perspectives, to reflect the wider public policy role of the public sector.

The public sector approach would, therefore, cover:

- social, economic and environmental/physical impacts;
- financial imperatives;
- stakeholder views;
- internal excellence;
- innovation and learning and for the future.

**Asset champion**

The senior individual in an organisation who is charged with promoting and sustaining good practice in asset management within the organisation. Normally this will not be the senior manager responsible for asset management (SMAM).

**Asset management**

This is the activity that ensures that the land and buildings asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned. It seeks to align the asset base with the organisation’s corporate goals and objectives. It requires business skills as well as property skills although only an overall knowledge of property matters is required. However, property input within the overall process is imperative. *It does not seek to respond solely to the requirements of any particular operating part of the organisation, but rather, it seeks to take all requirements into account and to deliver the optimal solution in terms of the organisation’s overall operational and financial goals and objectives.* It has a consultancy and executive orientation. It is a corporate, that is whole organisation, activity and may be led and/or coordinated by a property, construction or facilities professional, although this is not always the case.

**Asset management plan**

A plan covering the organisation’s asset strategy together with other related matters, for example, the organisational structure and governance, roles and responsibilities, data and performance management arrangements and performance measurement information.

**Asset programme**

A programme of action designed to implement an asset strategy or part of it.

**Asset review**

The analysis of all or part of the asset base to assess its current condition, suitability, utilisation and sufficiency and the comparison of this with the expectation for the asset base as described in the asset strategy. It
normally results in a clear understanding of the gap between the current asset base and the desired asset base and the potential action required to close that gap.

**Asset services/asset management services**

The services that support asset management in an organisation. They may be provided in-house or externally.

**Asset strategy**

The organisation’s strategy for its asset base. It will have both generic elements (e.g. a desire to achieve co-location) and also specific elements (e.g. the approach to be adopted in offices).

**Aunt Sally**

A colloquial term used to describe a proposition, put forward to test people’s reaction to it. Also known as a ‘straw man’.

**Capital expenditure**

One-off expenditure on major items which have a life of longer than one year (e.g. land and property), often, but not always, funded by borrowing with current expenditure implications.

**Capital strategy for assets**

The overall capital requirements of the asset strategy and of funding sources to meet those requirements.

**Corporate**

The organisation acting as a whole rather than as parts.

**Customers**

Those who are in any way customers for assets or assets services. Typically they will be the users of land or buildings but in some cases it might be wider than just users, for example, parents of children in schools. This term should not be confused with ‘stakeholders’.

**Discounted cash flow calculations**

Methods to determine the present value of future cash flows by discounting them using the appropriate cost of capital.

**Green Book**

See ‘Treasury Green Book’.

**Modernisation**

The policy of government designed to rethink the way public services are delivered and consequently to improve them.

**Net present value**

The sum of a series of future values discounted to reflect the dates at which they occur.

**Operating units**

The various parts of an organisation which deliver elements of its goods or services or which enable those goods or services to be delivered.

**Operational objectives**

The objectives of operating units which whilst within the overall ambit of the organisation’s objectives will be more specific and narrow.

**Organisational objectives**

The objectives of the organisation as a whole.

**Organisational performance**

The performance of the organisation measured in terms of its organisational objectives.

**Property management**

This is the activity that ensures that land and buildings matters are dealt with so that they operate efficiently and effectively. In effect it delivers the strategic asset management objectives for land and buildings. It is sometimes referred to as ‘operational’ and it is the activity of undertaking the professional/technical work necessary to ensure that property is in the condition desired, in the form and layout and location desired and supplied with the services required, together with related activities such as the disposal of surplus property, the construction or acquisition of new property, the valuation of property, dealing with landlord and tenant and rating matters, all at an optimum and af-
fordable cost. It also involves offering advice to decision makers on the best ways of doing this. It has a customer orientation. It is normally undertaken by property, construction or facilities professionals and technicians.

**Property performance measures**

More technically based measures than asset base performance measures, property measures are often broken down into a range of more focused component parts normally related to efficiency, effectiveness and economy. Examples are:

- costs and cost control;
- space utilisation;
- service levels and customer satisfaction;
- environmental sustainability;
- risk management (including health and safety);
- in-house services management practice;
- outsourced supplier management.

**Recurring expenditure**

Annual expenditure which is variously referred to in the public sector as, for example, current expenditure, recurring expenditure, resource expenditure or revenue expenditure.

**Senior managers and decision makers**

These are the 'top' managers or decision makers. Typically they would be, for example, Board members, Cabinet members, top management team members, Ministers, trustees, etc.

**Senior manager responsible for asset management (SMAM)**

The senior manager in the organisation that has direct responsibility for the operation and performance of asset management within the organisation.

**Spend to Save**

A saving which requires initial and lesser expenditure in order to realise a subsequent saving.

**Stakeholders**

All those that have a direct or indirect legitimate interest in the use of the organisation’s land or buildings.

**Strategic asset management**

This refers to 'strategic asset management for land and buildings'. For simplicity, this is referred to as ‘asset management’ in the guidelines (see ‘asset management’ above).

**Strategic asset management for land and buildings**

For simplicity, this is referred to as ‘asset management’ in the guidelines (see ‘asset management’ above).

**Strategy proposition**

This is the first stage in preparing an asset strategy. It is not the firm strategy but a proposition (or hypothesis) showing the desired direction which is to be taken but which will need to be tested and amended in the light of, for example, technical, practical, financial or other constraints.

**Treasury Green Book**

The Treasury has, for many years, provided guidance to other public sector bodies on how proposals should be appraised, before significant funds are committed – and how past and present activities should be evaluated. The current edition of the *Green Book, Appraisal and Evaluation in Central Government (HMT)*, incorporates revised guidance, to encourage a more thorough, long-term and analytically robust approach to appraisal and evaluation.

**Top management**

See ‘Senior managers and decision makers’.
Chapter overview
This chapter describes the purpose and format of the book, explains how the term ‘asset management’ is used and describes the overall benefits of good asset management.

PURPOSE OF THE BOOK
In the light of the increasing focus on the way assets are managed in the public sector, RICS felt it was necessary to produce these guidelines on strategic asset management for land and buildings for its members and for others who are involved with the practice of strategic asset management. The book seeks to cover the whole subject of public sector strategic asset management, by setting out a structured approach to the subject, with references on where to find more information. Rather than being just a textbook, it seeks to help managers to practice good strategic asset management by explaining the key steps and the techniques to be used.

The book is designed to be used by the whole of the public sector. It is also hoped that it will provide an ‘umbrella’ under which more specific guidelines in particular parts of the public sector can sit. Therefore it is hoped that this book will provide the ‘how to do it’ and that this will be a backdrop against which more specific performance standards in each sub sector can be developed.

FORMAT OF THE BOOK
This book is part of a suite of guidelines on public sector strategic asset management for land and buildings and it also has an accompanying short guide for practitioners – Getting Started Quickly Guide for Surveyors.

As Figure I.1 indicates there is also a short guide for senior and operational managers and decision makers and a practice information and case studies guide which completes this suite as follows:

- Public Sector Asset Management Guidelines
- Senior Decision Makers’ Guide
- Practice Information and Case Studies

Figure I.1: The Guidelines

APPLICABILITY OF THESE GUIDELINES TO PROPERTY ASSETS ONLY
The term ‘asset’ can be used to describe many different types of assets, for example, financial assets, infrastructure assets, plant and machinery, equipment and property. For the purpose of these guidelines the term ‘asset’ is used to refer to land and buildings (i.e. in the strict legal sense, real property).

USE OF THE TERM ‘ASSET MANAGEMENT’
As will be explained more fully in Chapter 1 this book focuses on ‘strategic asset management for land and buildings’. For simplicity, this is referred to as ‘asset management’ in the following chapters.

APPLICABILITY TO SMALLER PUBLIC SECTOR BODIES
These guidelines have been written with relatively large occupational asset bases in mind. In national terms, it is there that the major benefits of good asset management can be achieved. However, good asset management has universal benefits. In smaller organisations these guidelines will need to be interpreted to make
them suitable for purpose there. Whilst all the principles will remain the same, the extent and complexity of the processes will not be so great and, therefore, more streamlined arrangements based on these guidelines may be more appropriate.

**BENEFITS OF GOOD ASSET MANAGEMENT**

**Practical benefits**

Land and buildings are probably the slowest of all the strategic resources (finance, people, ICT and land and buildings) to respond to change. The reasons for this vary but they are mainly attributable to legal, financial, construction/development, regulatory and property market issues. As a consequence there are:

- long lead-in times for asset creation;
- existing assets are illiquid (i.e. long lead-in times, too),

and so there is a need to plan change in a very systematic way.

Annual incremental change will not suffice, as it cannot respond to the challenges of 21st-century public services and has often led to many parts of the public sector property asset base underperforming in non-financial and financial terms. Examples of this are:

- extensive maintenance backlogs;
- poor fit between service requirements and the property from which it is delivered;
- poor accommodation for the workforce impacting on productivity, recruitment and retention;
- limited co-location of public services;
- inefficient sourcing and procurement of property and construction and property support services;
- inefficient use of capital;
- insufficient control over running costs.

Thus, there is a need for a structured and programmed approach to long-term change in the asset bases of public sector organisations, in short: 21st-century, fit for purpose, land and buildings.

**Business benefits**

These have been variously described in a number of texts and we select four representative examples below.

**Asset Management – Getting the Outcomes, COPROP, 2005**

‘By now we should all know what needs be done, and how it should be done and, therefore, it is the right time to focus on the outcomes that we are seeking to achieve:

- Supporting service improvement by delivering current and future portfolio requirements.

- Supporting and facilitating wider objectives (e.g. regeneration, inclusion, sustainability).
- Improving stakeholder satisfaction with property and with property services.
- Having a lean, well maintained portfolio which allows the authority to live within its means (capital and revenue) by managing property running costs effectively and efficiently and releasing capital and then recycling it into corporate priorities.
- Delivering new capital projects effectively and efficiently.
- Maximising returns on any “investment” property.
- Delivering continuous improvement through performance management.’


‘The benefits of Property Asset Management relate to accountability, service management, risk management and financial efficiency through:

- Improved stewardship and accountability of property assets involving:
  - The demonstration to owners, customers and stakeholders that services are being delivered effectively and efficiently.
  - Providing the start point for evaluating and balancing service/price/quality tradeoffs.
  - Improving accountability in the use of resources through published performance and financial measures.
  - Having the ability to benchmark results against similar organisations.
- Improved communication and relationships with service users through:
  - Improved understanding of service requirements and options.
  - Formal consultation/agreement with users on the service levels.
  - Having a more holistic approach to physical asset management through the use of multidisciplinary management teams.
  - Improved customer satisfaction and organisational image.
- Improved risk management through:
  - Assessing probability and consequence of asset failure and the resultant impact on business continuity and assisting in addressing continuity of service.
  - Addressing the inter-relationships between different networks and risk management strategies.

Influencing decisions on non-asset solutions through demand management.'
- Improved financial efficiency through:
  - Improved decision-making based on cost and benefits of alternative options, either strategic, policy or technical in focus.
  - Being able to justify forward works programmes and funding requirements.
  - Recognising all the costs associated with owning/operating assets over the life cycle of the assets.

  *Local Authority Asset Management Guidelines, ODPM, 2005*

  ‘Through good asset management, local authorities will wish to target the following outcomes:

  - **Customer and Stakeholder Satisfaction** – enhanced customer satisfaction from improved performance and control of service delivery to the required standards along with improved corporate image. This is relevant in both how the public view local authorities and value and rank their services and purposes, as well as in staff morale and performance.
  - **Affordability** – clear processes for assessing prudence, affordability and sustainability including the effective use of capital for new projects, capital release and redeployment and efficient and effective running costs.
  - **Compliance with Statutory/Regulatory Codes** – health and safety, asbestos, legionella, accommodation minimum standards.
  - **Improved Corporate Management** – for CPA and other purposes, the ability to demonstrate clear linking between corporate and service goals and objectives on the one hand and the management of assets crucial to their delivery on the other; and
  - **Environment** – sustainability, CO₂ emissions, green energy, etc.’

  *High Performing Property, OGC, 2006*

  ‘The effective planning of government property is a key part of this story:

  - selling surplus assets to free resources for new investment
  - transferring ownership of assets to the private sector where this secures better value for money through access to new funding and skills, or by placing risk where it can be better managed

  - identifying and capitalising hidden assets
  - increasing value for money from retained assets and property.’

  Whilst each of the descriptions above was originally addressed to particular parts of the public sector, their applicability (with suitable amendment as necessary) is apparent to all parts of the public sector.

  In summary the business benefits are as follows:

  - release of capital for re-investment or debt reduction;
  - efficient running costs;
  - better public service provision by improved property and co-location of services;
  - property in good condition;
  - improved property utilisation and bringing together similar uses into the same property, rather than providing them separately;
  - improved productivity, changes in corporate culture and facilitation of corporate change;
  - improved delivery of community objectives through the more effective use of property;
  - innovative strategic procurement.

  **Policy benefits**

  Asset management is increasingly being recognised by central government as part of the modernisation agenda. Since Sir Michael Lyons’ Report *(Towards Better Management of Public Sector Assets)* in December 2004, the Treasury has taken a keen interest and asset management has gained a higher profile in the Comprehensive Spending Review 2007 with explicit targets for many public organisations. The Office of Government Commerce (OGC) is encouraging good practice in asset management throughout central government and its agencies, which will also be relevant to other parts of the public sector. The Department of Communities and Local Government, the Department for Children, Families and Schools and the Audit Commission continue to encourage good performance in local government and similar encouragement is being promoted in the education and health sectors.

  Therefore, not only is good practice in asset management desirable, it is also an expectation of central government for all parts of the public sector.
Chapter overview
This chapter describes the nature of asset management and the distinction between it and property management, and the business process associated with it. It also explains the reasoning behind the subject matter chosen for each chapter of the book.

1.1 DESCRIPTION OF ASSET MANAGEMENT

The term asset management is variously described in many documents, for example:

*Local Government Asset Management Guidelines, RICS/ODPM, 2005*

‘Asset management is a structured process that seeks to ensure best value for money from property assets in serving the strategic needs of local authorities. Property assets have three features that place primacy on their proper management:

- they are expensive – in terms of both their capital value and annual costs of upkeep;
- they need to be carefully managed over their lives to ensure best value – e.g. use, maintenance and generation of income; and
- it takes time to determine carefully new property needs and to procure and provide them.’

*Improving Property Asset Management in the Central Civil Government Estate, Leeds University (for the Office of Government Commerce), April 2006*

‘Strategic Asset Management (SAM) is a subset of Strategic Resource Management (SRM) and is the effective and efficient direction and utilisation of assets, both tangible and intangible, to sustain the business. This definition covers all asset classes including production, facilities, fleet assets and IT infrastructure, for example.

*Property Asset Management (PAM) is a subset of Strategic Asset Management (SAM). It is a structured, holistic and integrating approach for aligning and managing over time service delivery requirements and the performance of property assets to meet business objectives and drivers. Property asset management encompasses two interacting components:*

A strategic component, the focus of which is the medium to longer term and involves decisions on appropriate investment in property assets to meet customers/end-user needs and service delivery requirements. Typically the time frame would be three to five years (medium term) and up to ten years and beyond (long term), and,

An operational component, the focus of which encompasses the ongoing management of property assets over the short to medium term time horizon within an allocated budgetary framework set at the strategic level once investment decisions in property assets have been made. Typically the time frame would be up to three years. The locus of the operational element of property asset management would be, for example, at or below estates level within a department.’

*Towards Better Management of Public Sector Assets, A Report to the Chancellor of the Exchequer (Sir Michael Lyons), HM Treasury, 2004*

‘Asset management is a key part of business planning which connects at a strategic level decisions about an
organisation’s business needs, the deployment of its assets, and its future investment needs.’


‘Asset management, in its wider sense, needs to be seen as a contributor to core business resource planning so as to ensure that the physical asset base is aligned with organisational objectives.

Asset management’s strong links with investment planning means that it sits comfortably within the Finance structure, where financial tools can be applied to test business options and, through the ‘Corporate Finance Director, has direct exposure to the Board.’

‘Whilst specialist knowledge or technical competency is very important to the everyday running of property and estates, asset management, as proposed by Sir Michael (Lyons), implies a wider understanding of the part property can play in the delivery of the organisation’s primary objectives. There are, therefore, differences between the property management view of assets and the asset management view of property.’

‘Asset Management properly lies at the level of corporate resource management. It is a feature of thinking at a strategic level, which means matching future capabilities to a future environment in order to achieve defined outcomes. Asset management, therefore, aligns itself with strategic resource and ICT management at the business thinking level. Decisions to utilise property assets as an enabler to business planning stem from this level and manifests itself as strategic property management.’

Measuring Performance in the Management of Local Authority Property, Department of Environment, Transport and the Regions (DETR), 1999

‘Asset management in the context of this project is the strategic management of land and buildings assets in terms of the portfolio as a whole. We have identified asset management as “optimising the utilisation of assets in terms of service benefit and financial return.” There is a difference between this type of asset management and day-to-day property and project management, and property services. Asset management is concerned with the long term view of all the local authority’s assets, including those held and used by individual service departments, as well as those held by a local authority but used by an external organisation, such as the community organisation or a tenant of an industrial unit.’

Asset Management of Local Authority Land and Buildings – Good Practice Guidelines, DETR, 2000

‘Local authority land and property assets are held as a support to the main business of an authority, which is to provide services. First and foremost, the property resource must be used to maximise benefits to services in the most efficient and effective manner. The exception is where property assets are primarily held for financial rather than service requirements. In this case, the focus will be on maximising financial return.

The Research Project (Measuring Performance in the Management of Local Authority Property, DETR 1999) and these Guidelines apply the term asset management to the authority-wide management of local authority assets. Furthermore, asset management is applied in terms of the long term strategic view of all the local authority’s assets. It covers the strategic issues related to all aspects of estate management and development. This differs from the day-to-day provision of estate and project management services such as building maintenance, rent reviews and so on.’

There appears to be considerable consensus over the basic characteristics of strategic asset management for land and buildings and a distinction between this and operational property management. Therefore, for the purposes of this book, we have sought to differentiate between the two activities as follows:

Strategic asset management for land and buildings is the activity that ensures that the land and buildings asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned. It seeks to align the asset base with the organisation’s corporate goals and objectives. It requires business skills as well as property skills although only an overall knowledge of property matters is required. However property input within the overall process is imperative. It does not seek to respond solely to the requirements of any particularly operating part of the organisation, but rather, it seeks to take all requirements into account and to deliver the optimal solution in terms of the organisation’s overall operational and financial goals and objectives. It has a consultancy and executive orientation. It is a corporate, that is, whole organisation, activity and may be led and/or coordinated by a property, construction or facilities professional, although this is not always the case.

Property management is the activity that ensures that land and buildings matters are dealt with so that they operate efficiently and effectively. In effect it delivers the strategic asset management objectives for land and buildings. It is sometimes referred to as ‘operational’ and it is the activity of undertaking the
professional/technical work necessary to ensure that property is in the condition desired, in the form and layout and location desired and supplied with the services required, together with related activities such as the disposal of surplus property, the construction or acquisition of new property, the valuation of property, dealing with landlord and tenant and rating matters, all at an optimum and affordable cost. It also involves offering advice to decision makers on the best ways of doing this. It has a customer orientation and it is normally undertaken by property, construction or facilities professionals and technicians.

Therefore strategic asset management for land and buildings is:
- involved with business, corporate and organisational objectives;
- concerned with both non-financial and financial matters;
- connected with property management;
- systematic and coordinated;
- concerned with whole life costs and benefits;
- involved with planning on a medium/long term basis;
- a corporate activity and not solely the province of property, construction and facilities professionals;
- an activity that sees property as a key strategic resource in an organisation.

This book focuses on ‘strategic asset management for land and buildings’ and describes the techniques that are needed to practice it well. The techniques and practices of property management are not covered by these guidelines other than in those areas where it overlaps with strategic asset management for land and buildings.

For simplicity, ‘strategic asset management for land and buildings’ is referred to as ‘asset management’ in the remainder of this book.

1.2 CONCEPT DIAGRAM AND ARRANGEMENT OF THE GUIDELINES

In deciding on the structure of the content of this book we have first considered the basic business process for effective asset management. This is based on a simple process which has been described in varying ways in many business management texts. Our version of it is shown in Figure 1.1.

From this we can begin to define the various activities involved in asset management in each part of the

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Figure 1.1: A simple business process for effective asset management
process. These are described in Figure 1.2 by the text in the ellipses.

However this does not describe the full range of activities involved in asset management. There are a number of essential enabling activities and subjects which support the basic business process activities. These are shown in box at the centre of Figure 1.2.

As a result, this book is arranged in the following chapters:

- Strategy and vision development
- Asset programmes
- Delivery – Strategic implementation issues
- Review and performance management
- Change management
- Leadership and customers – Leadership for assets
- Organisational issues
- Resources and capacity
- Sustainability and corporate social responsibility
- Data and information management
- Asset management – An international discipline

This will enable the reader to work through the whole asset management process and understand the planning, process, delivery, resourcing, data management and practical implications of preparing an asset plan. It will also enable the reader to ‘dip-in’ to any individual chapters which are particularly relevant at any given time.
Chapter 2
Strategy and Vision Development

Keith Jones, Director, Performent Consulting

Chapter overview
This chapter describes the nature and content of asset strategies. It also describes the key steps in preparing asset strategies.

Benefits of good asset management plans (including asset strategies)
- Aligns asset objectives with organisational objectives
- Ensures overall efficient and effective use of assets in the medium/long term
- Provides:
  - a platform for structured and rigorous forward thinking;
  - a basis for corporate and consultative strategy development;
  - an explicit description of the direction of the organisation (or a particular aspect of that organisation, in this case, assets) – i.e. the elements of the strategy;
  - a clear statement for communicating the strategy to the organisation;
  - a basis for future decision making
- Asset strategy is placed in the context of wider organisational issues
- Brings clarity to the way assets are managed in the organisation:
  - the organisational arrangements for asset management;
  - corporate processes for assets;
  - performance measures and measurement;
  - data management;
  - capacity management

2.1 THE PURPOSE AND ROLE OF ASSET STRATEGIES

Overview

In these guidelines, ‘asset strategy’ is used to describe the general direction that the asset base will take over the next 5–10 years, the approach to be adopted in getting there and the policies that will be applied to decision making. In consequence, it would consider the business goals and objectives of the organisation, its business drivers, its financial context and the implications for the organisation’s assets. It would describe the organisation’s asset objectives and its longer term vision for the asset base, the way in which each category of the asset base would be treated in the future and the overall financial framework in which this would happen.

The asset strategy is almost always a central part of a wider document: the asset management plan. In addition to the strategy this wider asset management plan will also describe the organisational arrangements that are to be adopted to implement the strategy and will make clear the critical success factors and associated performance measures that will need to be met in implementing the strategy, together with an assessment of current performance.

This chapter of the guidelines focuses on strategy preparation while other chapters of the guidelines cover organisational and performance management issues. This chapter also covers the overall content of an asset management plan (including its asset strategy element).
Strategy development – an iterative process

It will be almost impossible to get the first asset strategy ‘right’. The process of refining the strategy may take several years especially if the asset base concerned is complex and extensive. The process will be iterative, gradually refining and reviewing all aspects of the strategy over time. This is shown in Figure 2.1.

Even after the strategy has been refined, over time it will still be necessary to review it annually and whilst it may not change radically year on year, it will need to change as the organisation itself changes and as the outside environment and customer requirements change.

In simple terms the purpose of a strategy is to provide:

- a platform for structured and rigorous forward thinking;
- a basis for corporate and consultative strategy development;
- an explicit description of the direction that the organisation wishes to take with its assets;
- a clear statement for communicating the strategy to the organisation; and
- a basis for future decision making.

Asset strategy should be distinguished from asset programmes. Asset programmes are the mechanisms by which the asset strategy will be put into place, increasingly on a two-, three- or four-year rolling basis. They are the practical and implementable actions to put the strategy in place and will be technically and financially robust (these are discussed further in Chapter 3).

Fitting the asset strategy into the organisation’s business process

The asset strategy needs to be part of the organisation’s overall business process and Figure 2.2 gives the broad conceptual position of the asset strategy in the overall organisational planning framework.

2.2 THE COVERAGE OF THE ASSET MANAGEMENT PLAN (INCLUDING THE ASSET STRATEGY)

Whilst less has been written about the content of asset strategies themselves, much has been written about the content of asset management plans (which include the asset strategy) and a very useful summary of some of these is given in Leeds University’s Research Document, Improving Property Asset Management in the Central Civil Government Estate (Leeds University for the Office of Government Commerce, 2006) which reviews the suggested asset management plan content of the following:

- New South Wales Treasury, Australia
- Department of Education and Employment, UK
- Federal Real Property Council, USA
- Cambridge County Council, UK
- Consortium of Local Authorities in Wales (CLAW), UK
- The Lyons Report, UK
- Institute of Asset Management, UK

![Figure 2.1: Refining the strategy – an iterative process](image-url)
Further examples of asset management plan content can be found in *PAS 55 (Publicly Available Specification 55) – Asset Management* (BSI, 2004); *NAMS Property Manual* (National Asset Management Steering (NAMS) Group, Thames, New Zealand, 2006); *RICS/ODPM Guidance on Asset Management 2005* (RICS/ODPM, 2005).

Drawing from these references, an example of the content of an asset management plan is illustrated in Table 2.1. Whilst it is unrealistic to set a maximum length for such documents they should be kept as short as possible by distilling down the ‘essence’ of what needs to be communicated. The reason for this is that a key role of the asset management plan is to get the message across to those who may be busy or who may not be motivated to read a long document on a subject that they may consider is only of indirect importance to them.

It is helpful to summarise the strategy in a single page or in two or three diagrams. This might then be used as the ‘executive summary’.

### 2.3 KEY ELEMENTS OF PREPARING ASSET STRATEGIES

#### The stages

The process of preparing an asset strategy is covered in the five key stages shown in Figure 2.3. These are covered, in turn, in the rest of this chapter. The process will depend on the particular needs of your organisation.

#### Business drivers

The first stage must be to identify the key business drivers that determine the overall direction of the organisation and in particular to understand the likely implications of these drivers for assets. There are many issues to consider and they will be particular to the organisation concerned. A ‘mind map’ of just some of them is provided in Figure 2.4.
Table 2.1: Content of an asset management plan (including the asset strategy)

<table>
<thead>
<tr>
<th>Purpose and expectation of the strategy</th>
<th>Why does the organisation have an asset strategy?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>How does it fit with other planning documents and the overall business process?</td>
</tr>
<tr>
<td>The organisation's goals and objectives and the organisation's major business drivers (service/policy delivery/production and financial)</td>
<td>What is the organisation seeking to do, making sure that those business drivers that have asset implications are highlighted?</td>
</tr>
<tr>
<td></td>
<td>The key directions and aspirations of the organisation</td>
</tr>
<tr>
<td></td>
<td>Organisational mission, vision and values</td>
</tr>
<tr>
<td></td>
<td>Key organisational objectives (internal and external)</td>
</tr>
<tr>
<td>The organisation's financial context</td>
<td>Overall financial position of the organisation</td>
</tr>
<tr>
<td></td>
<td>Financial outlook</td>
</tr>
<tr>
<td></td>
<td>Financial context for asset decision making</td>
</tr>
<tr>
<td>The gap between where the asset base is now and where the organisation wants it to be, i.e. the implications for assets</td>
<td>What the business drivers mean for the asset base</td>
</tr>
<tr>
<td></td>
<td>Gap analysis</td>
</tr>
<tr>
<td></td>
<td>Approach to closing/eradicating the gap</td>
</tr>
<tr>
<td>Asset goals and objectives and the organisation's vision for its asset base over the next, say 10 years</td>
<td>Explicit statement of asset goals and objectives</td>
</tr>
<tr>
<td></td>
<td>The overall approach to the use of assets</td>
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<tr>
<td></td>
<td>Key themes</td>
</tr>
<tr>
<td></td>
<td>How the asset base will help delivery of the business objectives</td>
</tr>
<tr>
<td>Critical success factors</td>
<td>Drawn from the asset goals, objectives and vision</td>
</tr>
<tr>
<td></td>
<td>This will form the basis for future performance measurement</td>
</tr>
<tr>
<td>The approach to each category of the asset base (i.e. the gap analysis and the way the gap will be closed or narrowed – in effect, this charts out the strategy itself)</td>
<td>The way in which the organisation will approach and decide upon the future of each part of the asset base by category</td>
</tr>
<tr>
<td>Broad resource implications of the strategy, particularly financial (in some parts of the public sector this is referred to as the ‘capital strategy’ for assets) but also ICT, HR and procurement</td>
<td>Capital implications</td>
</tr>
<tr>
<td></td>
<td>Recurring (resource/revenue/current) expenditure implications</td>
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<tr>
<td></td>
<td>ICT implications</td>
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<td></td>
<td>HR implications</td>
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<tr>
<td></td>
<td>Broad investment and divestment strategy for assets</td>
</tr>
<tr>
<td></td>
<td>The overall approach to sourcing and procurement</td>
</tr>
<tr>
<td>Performance management for assets</td>
<td>The performance measures to be used, drawn for the critical success factors</td>
</tr>
<tr>
<td></td>
<td>The performance management system</td>
</tr>
<tr>
<td></td>
<td>Current performance and key historic trends</td>
</tr>
<tr>
<td>Organisational arrangements for asset management</td>
<td>Structural issues</td>
</tr>
<tr>
<td></td>
<td>Roles and responsibilities</td>
</tr>
<tr>
<td></td>
<td>Governance and decision making</td>
</tr>
<tr>
<td></td>
<td>Relationships with stakeholders</td>
</tr>
<tr>
<td></td>
<td>Corporate processes for asset management</td>
</tr>
<tr>
<td></td>
<td>Data management</td>
</tr>
<tr>
<td></td>
<td>Capacity management</td>
</tr>
<tr>
<td>Strategic action and milestones</td>
<td>The main actions that will be taken over the next year to deliver the strategy</td>
</tr>
<tr>
<td></td>
<td>Some will be actions to develop the strategy</td>
</tr>
<tr>
<td></td>
<td>Some will be actions to implement asset change</td>
</tr>
<tr>
<td></td>
<td>Some will be actions to implement organisational change</td>
</tr>
</tbody>
</table>
A start can often be made by consulting documents and plans produced by the organisation – business strategies, business plans, operating unit plans, financial statements and documents. However, this will not be enough. The documents will often be out of date and are unlikely to look far enough ahead (5–10 years). In addition some matters may be confidential or may not be written down. It is essential to meet with the key players in the organisation to discuss their views on future direction and plans. These key players might include senior managers (including politicians if applicable), heads of operating units, senior finance staff, senior policy making and organisational development staff, heads of ICT and HR and so on. From this, a picture of the future direction of the organisation will emerge and it is often surprising how much agreement on this there is.

Having understood the organisation’s business drivers, some visioning for assets can now begin.

**Visioning**

It is a truism that there are always two conflicting pressures on an organisation. One is the desire to take new initiatives and the second is financial constraint. Any asset visioning needs to strike a balance between the two but at this early stage it may not be easy to quantify either. As a result visioning is an iterative process.

The visioning should take the information gleaned from the assessment of business drivers and seek to map this information onto the asset base. What will be the implications for the asset base? These implications are likely to be in the following three categories:

- **Asset objectives** (What do the business drivers indicate our asset objectives should be?) These objectives will form the basis of the indicators that would be used to measure the contribution the asset base makes to corporate performance
- **General themes and the approach to these themes** (e.g. working environment, co-location, maintenance, regeneration, standards, branding, approach to public realm/landscaping, sustainability issues, etc.)
- **Broad approaches to be adopted for each asset category** of asset/accommodation in the asset base (e.g. schools, adult care, teaching blocks, student accommodation, offices, hospital wards, customer access points, etc.)

The vision will clarify the dynamic between financial matters and new initiatives. For example, it will seek to broadly quantify capital release, recurring expenditure efficiencies, whilst at the same time explaining the broad thrust of the organisation’s new initiatives. It will also identify where any other non-asset responses are needed, for example, if a workstyle policy is to be followed to improve productivity, recruitment and retention, which will change office accommodation requirements, then it will also be necessary to pursue parallel HR and ICT strategies which will enable the change.

A good way of bringing this vision to life will be for the asset manager to chart out an ‘Aunt Sally’ and then for this to be debated and honed at a workshop with the senior representatives of operating units, the corporate centre and support services.

The visioning stage should end with an agreed preliminary vision for the future of assets in the organisation.

**Buy-in**

Before doing any further work it will be important to get the buy-in of top managers and, as appropriate,
senior politicians/board members/trustees. This may best be achieved by presenting the draft vision, and the logic behind it, to a meeting of these senior personnel.

The process of ‘brokering’ (acting as a go-between and facilitator with all the internal parties who have an interest in the asset strategy) an asset vision with senior management may have some other very important additional benefits, for example:

- getting asset issues on the corporate agenda;
- clarifying business drivers and corporate policy;
- clarifying organisation issues that need to be addressed in relation to assets;
- facilitating and promoting change in the organisation as a whole.

**Testing**

Once there is an agreed asset vision, the specifics of this vision can be developed into the organisation’s draft asset strategy (this should be a short step). This may be termed a ‘strategy proposition’ so that the organisation is clear that at this stage it is merely work in progress which remains to be tested.

Testing can then begin. The testing process will comprise high level financial, assets, ICT and HR issues. This testing is very broad and generic and should not be confused with detailed feasibility and appraisal work which would follow later. What you are seeking to do is to find out if the strategy is realistic or whether it may need amendment.

Examples of how it might be carried out are as follows:

- **Financial** – Look at the overall estimated capital costs of the approach outlined in the strategy proposition and the estimated capital receipts from the approach. Estimate whether, very broadly, the approach in the strategy proposition will be fundable and over what broad timescale. At this stage you will probably be using present day costs and present day values only. You are only seeking to see whether a strategy proposition of this type is sensible and warrants further investigation, or whether it needs amending. Consider any significant changes in recurring costs. Would this prevent the strategy proposition being pursued?

- **Assets** – Assess the broad feasibility of the approach from an asset perspective. Will the land/buildings be available to purchase? Are there abnormal construction or procurement challenges? What are the prospects in the property market? Will the resultant asset base be manageable? What delivery vehicles might you use? Are these delivery vehicles available? What are the overall risks to the organisation? What are the overall asset risks? Are these risks manageable? Does the organisation have the appetite for the risks?

- **Information and communications technology (ICT) and human resources (HR)** – The implications of the strategy proposition for ICT and HR may be very significant. These implications will need to be assessed at this early stage not only to
make sure that they are taken into account and that
the strategy proposition is realistic in these respects,
but also to flag up these parallel implications to the
organisation and to the ICT and the HR managers.
This will complete the resource picture – finance,
people, assets and ICT.

Asset strategy document

Having completed the testing stage the strategy docu-
ment can now be prepared. It may well have changed
from the original strategy proposition or proposition
that was tested, as the testing process may have flagged
up necessary changes. There may also be a need to ‘bro-
er’ the final strategy again with top managers, if it has
significantly changed.

2.4 THE PIVOTAL ROLE OF THE ASSET STRATEGY
AND THE ASSET MANAGEMENT PLAN

Asset strategy drives the entire asset management
process. Without asset strategy it is difficult, if not im-
possible, to properly answer the following questions:

● Against what do we assess potential projects?
● What implementation mechanisms are best suited
to our needs?
● How will we measure our success in implementing
our strategy?
● What organisational changes do we need to man-
age to achieve the strategy?
● How should we organise ourselves to implement
our strategy?
● How will we provide the capacity to do it?
● Precisely what data do we need?
Chapter 3
Asset Programmes

Neil Webster, Partner, GVA Grimley

Chapter overview
This chapter of the guidelines considers the next part of the business process, after asset strategies/asset management plans have been prepared. Once the asset strategy has provided a clear statement of direction on the vision for the asset base and the approach to be adopted to each category of the asset base, more detailed work needs to be undertaken to translate this into programmes of action.

Benefits of effective programming
- Formulating programmes is simply management practice enabling the efficient and economic use of resources.
- They ensure that strategic initiatives are translated into actions.
- Their existence gives everyone involved a template to work from and a reference document to ensure the right activities are taking place.
- They assist in making sure that investments made are effective and efficient.
- They assist in making sure that risks are mitigated and managed and ensure that effort is based on communication and coordination.

3.1 THE STAGES IN THE PREPARING OF ASSET PROGRAMMES

The first stage is to review the asset base in detail to examine the practical implications of the asset strategy. For a large or diverse asset base this may have to be done in stages over a number of years.

The second stage is to develop specific projects or project options designed to implement the strategy. These projects or project options will need to be evaluated to assess both the degree to which they meet organisational objectives, and their affordability.

The third stage is to bring the most beneficial and affordable projects together into a programme of projects for implementation.

Finally, the programme must be financially robust and be integrated into the organisation’s overall financial planning, budgeting and monitoring processes.

The four stages are shown diagrammatically in Figure 3.1. They are then described in detail in the paragraphs that follow.

3.2 REVIEW OF THE ASSET BASE

Approach to reviews

Reviews can take place annually or less frequently as necessary. Some reviews may be statutory, but if not,
the frequency of review must reflect the nature of the assets being reviewed. Those that change more rapidly and have significant impact on organisational performance should be reviewed on a more regular basis.

Reviews can take place for the whole asset base or, more commonly, for an asset type or within a defined geographical area. Part of the reason for so doing is that a review of a large and complex asset base needs to be broken down into more manageable portions. The types of review are exemplified in Figure 3.2.

**Asset category reviews**

Asset category reviews are where the asset base is reviewed by considering similar asset types within the asset base. For example:

- where an asset category of primary schools may be reviewed within a local authority area or even nationally, to determine what investment is required; or
- in response to the LIFT programme, where Primary Care Trusts review their asset base and produce business cases to demonstrate an investment need in primary care; or
- in an office accommodation review.

The case for investment is based on criteria including condition of premises, inappropriate locations and health needs.

**Geographic area asset reviews**

The asset review could also take place within a defined geographic area. A review of all the assets serving that area may be undertaken to include, for example, offices, schools, health facilities, community buildings, police stations, libraries, etc. Or the review may be of government offices in a UK region or of a campus of a university or of a specific hospital complex within a large Health Trust.

This type of review is best suited to a mixed asset base (or a large single category asset base), within a specific area.

**Reviews and timing**

Often it will be necessary to undertake asset category reviews and geographical area reviews at different times. The former will clarify specific operational requirements in asset terms and the latter will be important in bringing together different asset categories or in making the analysis of a large asset base manageable. The timing of asset reviews is unlikely to be concurrent and the review of an organisation’s entire asset base may be spread over a number of years, working systematically through each category or geographic area.

**Outcome of an asset review**

The outcome of an asset review must be the identification of potential projects which will move the asset base from its current state to a state better aligned with overall organisational objectives. There may be many possible projects that will achieve this as well as alternative options for projects on specific sites. In addition, the total cost of all the projects/options may exceed the funding available. For that reason all projects and options will need to be evaluated to test:
3.3 PROJECT EVALUATION (BUSINESS CASES)

The business case

The evaluation of projects can be carried out in many ways but it is increasingly recognised that this is best done through undertaking comprehensive outline business cases. For those projects that successfully pass through the outline business case stage, a subsequent detailed business case will usually be prepared.

Reasons for business cases

Business cases are produced:
- so that the taxpayer gets the best value for money;
- so that capital and recurring expenditure implications are taken into account;
- to integrate other areas that are affected by the project concerned;
- to ensure that all the benefits (financial and non-financial) are captured and assessed.

Part of the business case is, therefore, a cost benefit analysis.

Key elements of business cases

A variety of business case formats exist. Set out below are the headings that are likely to be included.

Strategic justification

Strategic justification sets out the strategic context and overall reasons for the project. What are the operational objectives which require the project to be undertaken and what are the outcomes desired? How do these outcomes link to the key business goals of the organisation?

Options identification

In order to deliver the outcomes what options have been considered? Whilst at the project outset a long list of options and sub-options will be discussed, three broad options are invariably amongst the most important considered:
- Do a minimum or do nothing – in effect it asks, what are the implications if we carry on as we are now?

Financial assessment

Financial assessments of each project or option should be undertaken on a Discounted Cash Flow basis following the Treasury Green Book (Appraisal and Evaluation in Central Government) principles.

In summary the key principles are as follows:
- equal importance attached to capital and revenue;
- full revenue costs adopted;
- discount rate adopted to reflect when money is expended in order to produce Net Present Costs and Values;
- a reasonable period of time, say 20 years, used for the cash flow;
- sensible conservative assumptions, no optimism bias (i.e. too rosy a view of the future);
- sensitivity analysis to illustrate the effect if key variables were to change.

The financial assessment should be robust and be able to stand up to scrutiny and the content should resemble the example in Figure 3.4.

Asset professionals should note that whilst this assessment shows asset related costs, the asset being cre-
### Summary (Excluding opportunity costs)

<table>
<thead>
<tr>
<th></th>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3a</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Employees in Final Portfolio</strong></td>
<td>3,695</td>
<td>3,695</td>
<td>3,695</td>
</tr>
<tr>
<td><strong>Total Site Value and Disposal Income</strong></td>
<td>33,126,033</td>
<td>17,104,013</td>
<td>-5,412,861</td>
</tr>
<tr>
<td>Total Refurbishment Costs</td>
<td>0</td>
<td>66,091,404</td>
<td>29,821,604</td>
</tr>
<tr>
<td>Total Demolition Costs</td>
<td>0</td>
<td>0</td>
<td>126,351</td>
</tr>
<tr>
<td>Total New Build Construction Cost</td>
<td>0</td>
<td>0</td>
<td>41,889,072</td>
</tr>
<tr>
<td>Total Refurbishment and Construction Cost</td>
<td>0</td>
<td>66,091,404</td>
<td>71,837,027</td>
</tr>
<tr>
<td>Total LC Costs</td>
<td>47,807,023</td>
<td>34,836,725</td>
<td>30,668,188</td>
</tr>
<tr>
<td>Total Annual FM Cost</td>
<td>75,381,638</td>
<td>51,570,894</td>
<td>51,641,747</td>
</tr>
<tr>
<td>Total Other Costs</td>
<td>4,434,000</td>
<td>9,376,074</td>
<td>5,178,404</td>
</tr>
<tr>
<td><strong>TOTAL 20 YEAR COST</strong></td>
<td>160,748,694</td>
<td>178,979,111</td>
<td>153,912,505</td>
</tr>
<tr>
<td>cost per head</td>
<td>43,504</td>
<td>48,438</td>
<td>41,654</td>
</tr>
<tr>
<td>annual cost per head</td>
<td>2,175</td>
<td>2,422</td>
<td>2,083</td>
</tr>
<tr>
<td><strong>Net Present Cost</strong></td>
<td>91,641,613</td>
<td>124,230,462</td>
<td>100,086,483</td>
</tr>
<tr>
<td><strong>Equivalent Annual Cost</strong></td>
<td>4,582,081</td>
<td>6,211,523</td>
<td>5,004,324</td>
</tr>
<tr>
<td>NPV per head</td>
<td>1,240</td>
<td>1,681</td>
<td>1,354</td>
</tr>
</tbody>
</table>

Figure 3.3: Example of a non-financial scoring matrix

Figure 3.4: Summary sheet of a discounted cash flow appraisal
ated, refurbished or managed is a key part in the delivery of a service to customers, i.e. the value of the project. So the financial assessment should also include the effect of options and operational issues on quality of service and the cost of the service delivery, often drawn for the non-financial assessment. In the example above, this is expressed as ‘cost per head’ and ‘NPV per head’. In other cases it might be expressed as ‘NPV per benefit point’ (benefit point refers to the total weighed points for that option or project derived from the non-financial appraisal).

It should also be noted that there is a difference between value for money and affordability – both must be assessed. A project may provide good value for money if it provides extensive overall benefits at high financial costs – however, these financial costs may not be affordable.

**Commercial assessment**

Commercial assessment will answer the following questions:

- how is it being procured – traditional in-sourcing or outsourced to the private sector;
- if the former, then freehold or leasehold tenure;
- if leasehold, what is the length of the lease;
- if outsourced, will Facilities Management (FM) and lifecycle be included in the contract;
- what is the marketplace like for this (these) transaction(s);
- is it based on an input specification (defined products) or output based (building performance parameters);
- what is the payment mechanism – a simple quarterly in-advance rent or performance based;
- how have the risks been quantified and have they been allocated to the party best equipped to manage them;
- has the risk transfer been correctly priced;
- are there any personnel issues such as TUPE (Transfer of Undertakings (Protection of Employment) Regulations) transfers;
- what are the implementation timescales and are there any penalties for under performance?

**Project management assessment**

The main question here is how is the project going to be delivered? How will it be governed and who will be involved? Often there will be a split of these activities, with a Strategic Project Board dealing with major decisions, to whom a Project Management Team report, who subsequently deal with day-to-day matters and decisions.

Does the organisation have the resource and capability to run the project or is there a need for outsourcing/partnering? Often, for example, framework agreements are used to supplement existing resources to manage peaks of work and very specialist assignments.

The business case will also need to define standards and determine how quality is to be controlled/monitored. The financial modelling in the business case will have quantified both cost and value. Good project and cost management will ensure that neither the costs go up nor the quality decreases.

From the production of the outline business case to the completion of the project there will undoubtedly be change. How is that change going to be identified; what mechanisms will be in place to manage and facilitate the change; and who will make the decision? These matters need to be decided and evaluated upfront, not at a later time when the issue is identified.

An understanding of the Gateway Review Process (Office of Government Commerce (OGC)) and PRINCE2 guidance (see the OGC website at: www.ogc.gov.uk/methods_prince_2.asp) will help with the project management assessment.

**Risk assessment**

In the early stages of business cases, risks need to be identified and quantified in terms of impact and likelihood. The risks will be described in each section of the business case but they will need to be brought together and assessed and compared. A typical framework for assessing the relative risks of options is given in Figure 3.5 (in this case the example compares two different scenarios for change).

**Recommendation**

The project is assessed by drawing together all the assessments and making a decision on overall value for money, affordability benefits and non-financial costs and risks.

**3.4 ASSET PROGRAMME DEVELOPMENT AND EVALUATION**

**Asset Programmes**

Having assessed, using business cases, each of the potential projects or project options that have been developed from the asset review, a realistic programme of some of the projects (or possibly, all, although this is unlikely on overall affordability, value and benefit/non-financial costs grounds) will now need to be assembled that provides the desired value for money, affordability and benefits.

**Development of programmes**

The proposed projects to be included in the programme should be relatively easily assembled, as each
of their business cases will have indicated which are the more desirable ones. Nonetheless it must be acknowledged that senior decision makers may choose to evaluate some of the non-financial issues in a different way, or with a different weighting, to those chosen in the business cases, especially when projects are compared to each other, or where benefits vary between, for example, different communities. Thus, the final selection of projects in the draft programme may be the subject of change at the time that the programme is finally confirmed. However, the business cases will undoubtedly inform this decision-making process.

The programme will usually contain a schedule of actions required to change the asset base. For example:

- acquisitions and new builds;
- refurbishment and maintenance of the stock retained;
- disposals of surplus or unfit-for-purpose assets;
- innovative procurement.

Some of these will be stand-alone tasks, others will interconnect, hence the importance of programme and project management support.

Some items in the programme will be short term, less than a year; others may be timetabled over several years, e.g. large scale projects with long lead-in times. A timetable for reviews of individual projects and the overall schedule will be contained in the programme. Frequent reviews, at least annually, will give rise to programme modifications.

Whatever the programme is, it will need to be well defined (budget, timetables and outputs/outcomes) and have a series of accompanying performance measures to judge its success.

### 3.5 FINANCIAL PLANNING FOR ASSETS

#### Principles

In effect, the above process (asset review, business case, programme development) should have resulted in a programme that is financially robust, but this should always be checked. Therefore:

- plan ahead;
- ensure that the projects or groups of projects are financially sustainable not just affordable in the short term;
- check that a capital investment today will not create a massive recurring/revenue expenditure headache in a few year’s time;
- where possible use capital receipts to reinvest in assets that can help to reduce the future revenue budget;
- rather than just delivering capital receipts when needed, develop a pool of monies which can be invested in ‘spend to save’ schemes;
- don’t be afraid to change the financial profile of a project or programme as a result of an annual review.

---

**Example of ‘First-cut’ Risk Matrix**

<table>
<thead>
<tr>
<th>RISK</th>
<th>SCENARIO 1</th>
<th></th>
<th>SCENARIO 2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MAGNITUDE</td>
<td>LIKELIHOOD</td>
<td>MAGNITUDE</td>
<td>LIKELIHOOD</td>
</tr>
<tr>
<td>Declining Service Quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No increase in staff productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risks of assumptions made proving to be erroneous</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service disruption during transition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gaining planning permission</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property market risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public/Community/Political impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outsourcing risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resistance of staff to accept change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy/Implementation risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unforeseen changes in the future</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital funding risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue funding risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity to implement the strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- = not applicable
✓ = very low
✓✓ = low
✓✓✓ = moderate
✓✓✓✓ = high
✓✓✓✓✓ = very high

**Figure 3.5: Risk assessment**
Asset management and the annual budget process

Asset strategy, asset reviews, historic performance, as well as timely production of business cases and robust programmes, all inform the annual budget process and the accuracy of the budget. As Figure 3.6 shows, if the process is running smoothly the forecasting of the capital and current (resource/revenue/recurring) budgets associated with assets will be accurate.
Chapter 4
Delivery

Elisabeth Carter, Director, Elisabeth Carter Consulting and Tony Comer, County Property Officer, Hertfordshire County Council

Chapter overview
Delivery of asset strategies and programmes is an extensive subject in its own right which could justify a separate book on its own. In addition much has been written on the subject elsewhere. This chapter therefore merely seeks to give an overview of the key issues and to signpost the reader to guidelines available elsewhere.

Benefits of good delivery
Put simply, good delivery of asset strategies and programmes ensures that the intended project benefits are realised, that good value for money is secured and that projects are delivered on time.

4.1 INTRODUCTION
This chapter provides a high-level view of the asset manager’s role and responsibilities in the successful delivery of asset management plans and strategies. It looks at the components underlying successful delivery and considers the key issues facing the asset manager in delivering asset management plans and projects.

4.2 OVERVIEW OF DELIVERY
Successful delivery
No matter how well prepared, well written or comprehensive an asset strategy or asset management plan is, it will be wasted and all efforts at asset management will have failed in the absence of real results and positive outcomes. Successful delivery depends upon having:

- the right rationale for delivery;
- the right support, ownership and leadership;
- the right resources;
- the right delivery plan;
- the right delivery processes; and
- the right results.

Developing the rationale is covered in Chapter 2, Strategy, and Chapter 3, Asset Programmes. Securing corporate ownership and leadership is examined in Chapter 8. This chapter focuses upon the remaining aspects of successful delivery: the resources for delivery, delivery planning, delivery management, benefits realisation and risk.

Key issues
All public sector organisations are challenged with finding the most efficient way to deliver their services successfully. Most organisations rely on third parties for at least some part of their delivery. This is likely to become an increasing trend across the public sector and is already well-established practice for property and construction projects. Studies and evidence gathered by the OGC and the National Audit Office suggest that there are ‘key things you must get right’ and these are listed below (drawn from the OGC’s Successful Delivery Pocketbook, 2006):

- better informed investment decisions;
- more effective engagement with stakeholders;
- capacity and capability: adequate skills;
- better understanding of the supplier marketplace;
- good understanding of the delivery chain;
- effective management of risk;
taking a ‘whole life’ view;
active management of intended outcomes.

The cycle of planning and managing delivery

Figure 4.1 represents the overall cycle for planning and managing delivery. The diagram is an adaptation of a similar model contained in the Successful Delivery Pocketbook but contains some additions to reflect the specific issues and steps that occur in the delivery of property related projects. The key delivery steps are presented in their logical sequence. In practice, there will be a considerable amount of cross-referral between the various stages. For example, orchestrating the resources for delivery will be greatly influenced by the chosen means of future delivery whilst the chosen delivery model may well be a reflection of the organisation’s existing resource capability, its approach to risk and the benefits being sought.

The following delivery steps are considered in turn in the paragraphs that follow:

- Direction
- Resources and capabilities
- Means of delivery
- Project planning
- Action plan
- Communications
- Monitoring, incentives and benefits realisation
- Risks

4.3 DIRECTION

The direction of major asset related projects should be guided by the asset strategies and programmes, underpinned by a rigorous business case approach, that have been explained in the previous Chapters of these guidelines. The further development of the business case continues to be relevant during delivery. The business case is an evolving working document and a vital management tool in planning and delivering asset plans and projects.

The OGC’s Successful Delivery Toolkit provides the detailed explanation, guidance and templates that are needed to make full and effective use of business cases in successful project delivery. Business cases are also closely linked to two other important delivery tools: the OGC Gateway Review process and PRINCE2 project management.

4.4 RESOURCES AND CAPABILITIES

A high-level assessment of resources and costs (including whole-life project costs in accordance with HM Treasury guidance) should have been made and proven in the business case stages leading up to project delivery. At the delivery stage, identifying, assessing and securing the resources (human, physical, financial, infrastructure and any other resources) necessary to deliver the plan or project will determine the ability to deliver successfully.

An examination of capability and capacity should include the wider delivery chain – both existing and potential. Innovative ways of delivery are becoming increasingly evident and possible. Case studies and guidance from the sources listed at the end of this chapter illustrate how collaboration with suppliers and partners from both the public and private sectors can be widely used for the benefit of delivering property or accommodation-related projects. Indeed, delivery through partnership is invariably a key feature of property construction and/or property services procurement projects and is considered in more detail later in this chapter.

4.5 MEANS OF DELIVERY

Third party involvement and partnership

Public sector organisations are increasingly looking to third parties to help deliver services and projects. This is particularly evident in the case of support services, such as property services, and in the delivery of complex or specialist projects that lie outside the scope of the organisation’s normal experience or capacity, such as large construction projects. Indeed, the expectation is that public sector organisations will use third party suppliers unless there are justifiable and value for money reasons for doing otherwise.

The prevailing theme, and certainly the approach promoted by the Achieving Excellence in Construction initiative, is on partnership. This requires both partners to the contract to be working collaboratively in delivering the objectives of the contracted service and/or project, with a shared commitment (and invariably an incentive) to continuous improvement and value for money.

The Public Accounts Committee Report Improving Construction Performance (December, 2001) advises as follows:

‘There is scope for benefits in terms of quality, faster construction times and financial savings through contractors and their clients working more closely together in longer-term relationships (partnering). Safeguards include the appointment of partners through competition; periodically re-tendering; agreeing clear, measurable targets for continuous improvements in quality, delivery time and cost reductions; establishing payment arrangements to give contractors incentives to be innovative and cost effective; and securing reasonable access to contractors’ financial records and cost information to check that agreed improvements in efficiency and performance are being achieved.’
Chapter 4: Delivery

1. Direction: What do we want to do and when? What is the scope?

2. Resources Capabilities: What resources and capabilities (people, physical resources and funding) do we need?

3. Means of Delivery: What are the delivery vehicles and which model suits us best?

4. Project structure and governance: Who is responsible and accountable for what?

5. Action Plan: Plan for carrying out required processes and actions, how and when?

6. Communications: How will we communicate with all relevant stakeholders; how do we share information and knowledge?

7. Risks: What is an acceptable balance of cost, benefit and risks and how should risks be managed?

8. Monitoring: Incentives and benefits realisation. How will progress be monitored and reported? What are the performance measures, incentives and benefits realisation?

Required resources and capabilities

Map of potential delivery agents; procurement strategy

Risks and costs

Communication requirements and plans

Risks and costs

Delivery, reporting and accountability requirements

Evidence

What has worked previously?

Benefits/causal factors

Trade-offs

Risk strategy

Benefits/causal factors

Figure 4.1: Delivery planning cycle
Whole life

Decisions about the delivery and procurement of property-related projects should always be on the basis of value for money over the whole life of the facility or service and not on the initial capital cost alone. OGC’s Best Practice briefing *Value for Money Evaluations in Complex Procurements* explains how to take account of all the factors when making an investment decision.

Procurement strategies and procurement routes

There are two key outputs to help determine the means of delivery: the procurement strategy and the procurement route. The procurement strategy identifies the best way of achieving the objectives of the project and value for money, taking account of the risks and constraints. The procurement route delivers the procurement strategy. It includes the contract strategy that will best meet the client’s needs, where this is relevant to the procurement route chosen.

OGC’s *Achieving Excellence in Construction Procurement Guide* recommends that the following factors should be considered when developing the procurement strategy:

- the project objectives;
- constraint;
- cultural factor;
- risk;
- capabilities to manage a project over the whole lifecycle;
- the length of operational service required from the facility.

Procurement route options are clearly influenced and, to a large degree, determined by the procurement strategy. Choices are additionally influenced by government policy. There are specific requirements relating to construction projects. Since April 2000, construction projects should be procured by one of the three recommended procurement routes:

- **PFI** – where the public sector contracts to purchase services and/or products (such as new serviced accommodation) on a long-term basis in exchange for a yearly unitary payment and where private sector skills are incentivised by having private finance at risk. This is only recommended for projects exceeding £20m capital cost.
- **Prime contracting** – using a single contractor to act as the sole point of responsibility to a public sector client for the management and delivery of a construction project.
- **Design and build (and also operate, as appropriate)** – using a single contractor to act as the sole point of responsibility to a public sector client for the design, management, delivery (and operation, where included) of a construction project.

4.6 PROJECT STRUCTURE AND GOVERNANCE

The need for good governance

This aspect of project delivery concerns the project management and governance arrangements that clearly establish reporting lines, roles and responsibilities for delivery both within the department/organisation and with others in the delivery chain, such as partners and suppliers.

Lack of clarity and acceptance about decision making, reporting and accountability arrangements are frequent reasons for project delay, increased costs and, in extreme circumstances, project breakdown. This is particularly the case where third parties involved in delivering the project (such as delivering the procured property or serviced accommodation) have not been effectively included in the project management and decision-making structure.

PRINCE2

PRINCE2 project management principles and practice are now widely adopted and applied throughout the public sector to ensure that programmes and projects are well and effectively managed. Using a PRINCE2 project management approach will help construct a decision-making framework that can also accommodate governance requirements and is recommended as an aid to planning and managing the delivery of asset management projects and programmes. The approach can be adapted to suit the individual project and organisation requirements.

Inclusion

Care needs to be taken to ensure that the project management arrangements take account of the various governance requirements of all participating partners. For example, particular requirements may apply to different public, charity, voluntary or not-for-profit organisations and these will need to be accommodated in the project management structure, as determined by the mix of partners involved.

Roles and responsibilities

The OGC’s *Achieving Excellence Guide 2 – Project Organisation* provides some very useful guidance about the key roles and responsibilities involved in construction procurement projects. The advice is equally relevant for delivering any property-related project. It highlights the important points to note about reporting and decision making and recommends an integrated project team whilst also incorporating the
elements and roles of a PRINCE2 project management approach.

Figure 4.2 shows the roles within an integrated project team involved in a typical construction project. The roles of the various players are described in detail in Achieving Excellence Guide 2. Details about the supply team and independent client adviser roles are contained in the companion guide, Achieving Excellence Guide 5 – The Integrated Project Team.

4.7 PROJECT PLANNING

Project plan

The development of the project plan is clearly a product of all the other stages of the delivery planning cycle. Adopting PRINCE2 project management principles provides a framework for developing, managing, processing and delivering the overall project plan and makes use of concepts and tools to help make project delivery more manageable.

The project plan provides an overview of the total project and identifies its key outputs. It sets out the project costs and is used as a basis against which to monitor actual costs and project progress, stage by stage.

Stage plans

A stage plan is required for each identified stage of the overall project. This is similar in content to the project plan but each element is broken down to the level of detail required to be an adequate basis for day-to-day control by the project manager. Stage plans are required to go through defined reporting and approval processes from commencement through to completion and ‘sign-off’. Variations to approved stage plans are managed through a process of exception plans.

4.8 COMMUNICATIONS

It is particularly critical to think about the end-user’s/occupier’s perspective and to ensure a customer-focused view. It is recommended that the project sponsor should ensure that stakeholders, including user representatives, provide important input in developing the outputs required from the proposed delivery.

Anticipate and determine how to resolve conflicting demands. Think about how to achieve stakeholder buy-in and how to overcome resistance to changes or proposals. PRINCE2 advocates the development and use of a live communication plan throughout project delivery. It will be necessary to determine how to communicate and consult with stakeholders from the outset through to completion of delivery.
4.9 MONITORING, INCENTIVES AND BENEFITS REALISATION

Performance measurement is the activity of checking actual performance against targets throughout the life of a project, during construction and through the operational life of the completed facility. The delivery of a project is subject to three main stages of evaluation, or monitoring:

- project evaluation;
- post-project review; and
- post-implementation review.

The business case, which continues to be refined throughout the delivery of the project, will establish the project objectives, key benefits and critical measures and indicators of success. Depending upon the nature of the project there will be output specifications and other related documents, particularly those relating to procurement arrangements. All these documents provide the basis for developing the measures and processes against which future benefits can be assessed and evaluated. All require effective performance management if they are to be delivered.

The project plan and associated project management processes and reviews provide the means for monitoring project progress and delivery. This stage is about monitoring the effectiveness, performance and benefits of the subsequent results or outcomes of the project and lies at the heart of being able to demonstrate the success or otherwise of delivering an asset management strategy, plan or project.

A post-project review is carried out after construction is completed and focuses on how well the project was managed. It includes the views of suppliers and specialists at the point of actual delivery and considers performance against key performance indicators.

A post-implementation review, also known as post-occupancy evaluation, should be carried out when the facility has been in use long enough to determine whether the business benefits have been achieved from the investment in the facility, as justified in the business case.

Post-project review and post-implementation review need to be thought about and prepared for in the early stages of planning delivery. They should not be left as a post-script or an after-thought as the project nears completion or has been completed.

The elements of managing performance are broadly similar and are summarised in Figure 4.3.

4.10 RISKS

The OGC website provides some excellent risk management guidance, tools and techniques with access,
also, to the *Achieving Excellence Guides* which include
guidance specifically designed for the procurement of
property construction. Practitioners are strongly urged
to access these information sources and make full use
of the material available.

The *Modernising Construction* report (NAO, 1999)
highlighted inadequate use and understanding of risk
management and value management as barriers to im-
provement in construction performance. Weak risk
management features regularly in Gateway review rec-
ommendations and is one of the most common areas
of concern. A requirement for risk management
arrangements should be incorporated in relevant ten-
der documentation.

The aim of risk management is to ensure that risks
are identified at project inception, their potential impacts
allowed for and, where possible, the risks or their impacts
minimised. Risk management in construction and prop-
erty related projects involves the following key stages:

- identifying and assessing risks in terms of impact
  and probability;
- establishing and maintaining a risk register, and a
  risk owner identified for each risk. The risk register
  should be regularly updated throughout the proj-
  ect lifecycle;
- responding to risks to contain them within accept-
  able limits. This information forms the risk man-
  agement plan;
- monitoring, updating and controlling risks;
- feedback on how well risks were managed and les-
  sons learned.

A suggested approach for assessing the status of each
identified risk is against a matrix of its probability
(high/medium/low probability) and impact (high/
medium/low impact) (this approach has been de-
scribed in the previous chapter).

Deciding upon the appropriate response to a risk,
which will then be recorded in the risk management
plan, can only occur after a risk’s possible causes and
effects have been considered and fully understood. It
will take the form of one or more of the following
management actions:

- avoidance;
- reduction;
- transfer;
- retention/acceptance.

### 4.11 CONCLUSION

This chapter has sought to outline the broad steps to
delivery of an asset strategy/asset management plan. It
is not intended to be a detailed guide to implementa-
tion and asset managers are strongly urged to consult
the extensive information provided elsewhere.

Some excellent on-line sources providing detailed
guidance, tools and templates to support the practical
delivery of asset management projects and pro-
grammes are readily available. The primary sources are
listed below:

- OGC’s *Successful Delivery Toolkit* on the Office of
  Government Commerce (OGC) website at:
  www.ogc.gov.uk/resource_toolkit.asp
- OGC’s *Achieving Excellence Guides* on the OGC
  website at: www.ogc.gov.uk/ppm_documents_con-
  struction.asp
- *Improvement and Development Agency (I&DeA)*
  *Project, programme and change management toolkit*
  on the I&DeA website at: www.idea.gov.uk
- *’The Estate We’re In’ and other publications and in-
  formation – Public Private Partnership Programme*
  (*4ps*) on the 4ps website at: www.4ps.gov.uk

Other useful sources of information, case studies,
methodologies and guidance on various aspects of
asset management project and programme delivery
can be found on the following organisations’ websites:

- Audit Commission at: wwwaudit-commission.gov.uk
- National Audit Office at: www.nao.gov.uk
- HM Treasury at: www.hm-treasury.gov.uk
- CIPFA at: www.cipfa.org.uk
- Partnerships UK (PUK) at www.partnershipsuk.org.uk
- Department of Communities and Local Government
  at: www.communities.gov.uk
Chapter 5
Review and Performance Management

Christopher Hedley and Ian Jeffries, IPD (Investment Property Databank) and Keith Jones, Director, Perfroment Consulting

Chapter overview
- Assessing the performance of the entire asset management system in an organisation is often a prerequisite to more technical performance improvement.
- Metrics are a key feature in effective performance management of the asset base. Measurement through the balanced scorecard, key performance indicators (KPIs), business ratios and benchmarking enable positive action to be taken to improve delivery, financial efficiency and the quality of service to customers.

Benefits of performance management
- An ability to track operations and assess when optimal performance is achieved.
- Performance reviews using corporate ratios, scorecard results, KPIs and benchmarking exercises all add value by showing how performance gaps can be closed and ‘beacon’ performance replicated across many organisations.

5.1 PERFORMANCE MANAGEMENT

Coverage of this chapter
Before going on to describe techniques used to manage the performance of the asset base itself, this chapter first considers how an asset management system is reviewed, to ensure that the key elements of good asset management are in place. It then goes on to consider how the performance of assets is measured and monitored, in terms of meeting business objectives.

5.2 REVIEWING THE ASSET MANAGEMENT SYSTEM

Using a framework

Some might say that this is where an asset manager should start and in many ways that is true. All asset managers should review, at the beginning of their tenure, or when circumstances dictate, whether all the key elements of asset management are present in their organisation. The paragraphs that follow explain how those key elements can be assessed and they assume knowledge of the entire content of these guidelines in doing so. We therefore urge the reader to read all the chapters in this book before undertaking a review of the organisation’s asset management system.

The review should seek to establish whether all the elements of the key diagram (see Figure 1.1 in Chapter 1 – What is public sector asset management?) are in place in the organisation and the extent to which improvements will need to be made.

To do this, there is a need for an evaluation framework to do so. We suggest that this framework should be based on some description of good practice, be it...
these guidelines or, for example, The Maturity Matrix from Improving Property Asset Management in the Central Civil Government Estate (Leeds University for the Office of Government Commerce, 2006), PAS 55 – Asset Management 2004 (IAM/BSI, 2004) or the NAMS Property Manual 2006 (NAMS Group, Thames, New Zealand, 2006). We describe below an example using the key elements of these guidelines.

The stages are as follows and are shown in Figure 5.1:

- define your evaluation framework;
- identify your assessment criteria;
- define your assessment method;
- assess performance;
- set targets, identify improvement action, and implement that action.

**Evaluation framework**

Decide where performance needs to be measured. Using the content of these guidelines, that would mean the following:

- strategy development;
- programme development;
- programme delivery;
- performance management;
- change management;
- leadership;
- customer focus;
- organisation and roles and responsibilities;
- resources and capacity;
- sustainability;
- data management;
- value for money.

Different organisations may decide to use different headings but the coverage will broadly be the same.

Next decide on the key issues to be examined in each. Taking strategy development as an example, the following might be chosen.

- How well is the relationship between organisational business drivers and property implications understood?
- How well is visioning undertaken?
- How well is buy-in achieved?
- How well is the strategy proposition tested and iterated?

**Assessment method**

This is normally achieved by scoring each of the key issues on a scale of, say, 0-5 (or possibly 0-10) – where 0 would represent very poor performance and 5 would represent excellent performance. A decision will need to be made on whether or how the scores should be weighted, which may vary for different organisations, depending on the particular requirements and priorities of the organisation concerned.

**Assess performance**

The measurement may be difficult for the asset manager, who may find it difficult to be objective or may be too familiar with the detail to stand back sufficiently. If this is the case then perhaps another manager from elsewhere in the organisation might do it, or a ‘peer’ in another, similar organisation, or a consultant specialising in such assessments. Independence and objectivity will be important.

Once the assessment has been made it will need to be made explicit and understood. It can be summarised as shown in Figure 5.2.

This assessment now leads to a clear understanding of where action needs to be taken to improve performance.

**Identify improvement action and implement that action**

The improvement action needs to be clear and agreed across the organisation. Chapter 6 of these guidelines explains how change should be handled when implementing the action.

In subsequent years, the assessment process can be undertaken again to see how performance in this area has improved.
5.3 DEVELOPING PERFORMANCE MANAGEMENT FOR THE ASSET BASE

The paragraphs that follow introduce the concepts of performance management and performance review and explain how managers can use these techniques to measure how well their assets are functioning and then take appropriate action to increase productivity, improve service quality or deliver savings specifically from property.

Performance management is simply about adopting a systematic approach to help improve organisational ‘performance’. That is to say, the extent to which organisations are able to achieve desired outcomes – its corporate objectives.

Performance management is simply about adopting a systematic approach to help improve organisational ‘performance’. That is to say, the extent to which organisations are able to achieve desired outcomes – its corporate objectives.

A successful performance management system may include the following key elements, each of which will be examined in turn:

- measuring organisational performance;
- a balanced scorecard;
- key performance indicators;
- measuring property performance;
- data validation;
- review and quality management;
- benchmarking;
- reporting;
- improvement action.

Thesekey steps are shown in Figure 5.3

Understanding organisational performance

When starting out on the performance measurement process it is important to:

- gain a complete understanding of the organisation’s direction and specific objectives;
- identify the key challenges and opportunities relating to each of these objectives;
- clarify the most compelling strategies for achieving them – addressing the challenges and exploiting the opportunities.

These high-level goals help to define ‘organisational performance’ and undertaking this process will help to identify the most important factors of performance measurement of assets, not just those measures which are merely convenient or easy to obtain.
**Introducing the balanced scorecard**

The balanced scorecard was developed at Harvard Business School by Kaplan and Norton in the early 1990s and provides a relatively straightforward framework for translating an organisation’s strategic objectives into a coherent and comprehensive set of performance measures.

The measures it uses are grounded in an organisation’s strategic objectives and fit into four key categories or perspectives:

- **Financial** – ‘traditional’ balance sheet and other financial measures
- **Customer** – satisfaction issues from the customers’ perspective
- **Internal** – the extent to which internal working practices contribute towards the successful delivery of corporate objectives
- **Innovation and learning** – intended to help drive improvement in financial, customer and internal process performance

A fifth category may also be added to address wider social, economic and environmental/physical perspectives, to reflect the wider public policy role of the public sector.

The public sector approach would, therefore, cover:

- social, economic and environmental/physical impacts;
- financial imperatives;
- stakeholder views;
- internal excellence;
- innovation and learning and for the future.

By selecting a limited number of critical performance indicators (PIs) for asset performance that drive corporate success within each of these four/five categories – usually no more than 15-20 measures in total – the scorecard helps focus this strategic vision and can serve as the focal point for an organisation’s efforts to improve performance of its asset base.

The way in which this approach applies to asset performance management is shown in Figure 5.4.

**Key performance indicators**

**Principles**

A key performance indicator (KPI) is a key part of a measurable objective which is made up of a direction, a measure, a target, a benchmark and timeframe. For example: ‘Reduce total property costs per person by 10% by financial year end 2008.’ Total property costs per person is therefore the KPI.

KPIs will necessarily vary from one organisation to the next, but like setting SMART (Specific, Measurable, Agreed, Realistic, Timed) objectives, some key ‘rules’ to consider when developing your critical measures are to ensure they are:

- **Significant** – focused on the key outcomes and drivers of performance
- **Manageable** – ‘The best is the enemy of the good’. Be realistic, do not try to measure too much, stick to what matters and what makes a difference
- **Accurate and available** – must be robust and defensible, reliable, consistent and available over time (all essential for benchmarking)
Relevant – measures should be clear and relevant to all stakeholders and should take account of a diverse range of perspectives within the organisation

Communicated – set out clear roles and responsibilities, publish the results, have a clear presentation style and ensure feedback and follow up.

Use of ratios

Financial managers often use ratios to analyse financial performance. Likewise, asset managers can use asset performance ratios. It is important to consider ratios carefully and to consider which ones are relevant and of use.

Some key points to consider include:

- Don’t use too many! If there are too many measures/ratios, probably none will get used.
- Do not be solely asset specific. Ratios are used at an organisational, or strategic business unit (SBU) level.
- Ensure they drive performance. The big number ratios are a useful tool enabling you to get there.

Measurement

The use of the balance scorecard approach will allow the development of a (limited) number of performance measures that will measure the contribution that the asset base makes to overall organisational performance (asset base performance measures). Although they are not always easy to formulate these might cover measures designed to monitor the contribution of the asset base to, for example:

- getting public services closer to the community and customers;
- co-location of public services to improve customer satisfaction and patient care;
- culture change in the workforce;
- productivity of the workforce;
- cleaner, greener sustainability issues;
- capital release;
- social and economic regeneration and sustainable communities.

Armed with a thorough understanding of the organisation’s vision and with a ‘balanced’ set of asset base performance measures in place, the next step is to develop other more technically based measures (property performance measures) to supplement these. The property measures that are used will need to be broken down into a range of more focused component parts normally related to efficiency, effectiveness and economy. The following are key elements of any property/facilities management (FM) measurement system, but need to be balanced and weighted according to each organisation’s needs. These key elements would often be used at an asset category or individual establishment level:

- costs, and cost control;
- space utilisation;
- user satisfaction;
- environmental sustainability;
- risk management (including health and safety);
- in-house asset, property and facilities management services;
- outsourced supplier of asset, property and facilities management services.

Review and quality management

Once measures are in place, using them to measure performance can also be a key part of any organisation’s quality management system, where the key question is: ‘to what extent have we done what we set out to do?’

It is important to use the performance management system as part of day-to-day working. It is not a ‘bolt-on’, but an essential process.

- Consider a form of audit process (look at ISO 9000 series as a base model).
- A clear system of targets can be a vital tool to help drive up performance. While appropriate targets will vary from one organisation to the next, in setting them it is important that they are sufficiently challenging and accord with SMART objective-setting principles.

- To give the performance management system ‘teeth’ it may be wise to consider ways to motivate improvements (e.g. linking incentive payments or future contract awards to performance and budget expenditures).

Benchmarking

There should now be a clear picture of how the organisation is performing against objectives. How does this compare with other similar organisations? Crucially, is the performance level providing value for taxpayers’ money given how well others are performing? This is where benchmarking comes in.

Benchmarking is generically defined by Watson in his book Strategic Benchmarking as ‘a continuous search for the application of significantly better practices that leads to superior competitive performance’ (Watson, G.H., Strategic Benchmarking, 1993).

Its essence is to assess an organisation’s relative performance and to learn from the experiences of others in an effort to improve performance. Indeed, if organisations are to close the gaps that exist between them and the ‘best in class’, it is vital to discover where the gaps exist, their size, and then aim to make ‘step’ improvements. In this respect, benchmarking can be a vital tool in the drive for success and the promotion of best practice.

Five key essentials are as follows:

- For the process to work the participants must build up a relationship of mutual trust and honesty –
they must be willing to share information equally and openly.

- Effective leadership is vital and should clarify at the outset the nature of the benchmarking exercise being undertaken. For example, whether it is a voluntary or mandatory exercise (perhaps as part of a value for money assessment or audit process).

- What to compare? Getting this right is fundamental to the success of any benchmarking project. Only critical areas which drive headline costs and/or contribute directly to the effectiveness of core functions should be targeted. In this context it is important to understand the benchmarking information correctly – for example, low costs may mean efficiency or, more likely, may well mean neglect.

- Before committing valuable time and resource, it is important that organisations realise that benchmarking is not a one-off exercise but part of an ongoing cycle of continuous improvement.

- Take care to understand the data. For example, low maintenance costs per square metre may be because of underinvestment rather than efficiency.

Key benefits of benchmarking include:

- **Innovation** can inspire new ways of doing business which could generate quantum leap improvements in performance.

- **Motivation** – seeing is believing, especially when there is a clearly measurable basis for change.

- **Focus** helps to concentrate attention on the key drivers of organisational performance (incorporating a business-like approach to public sector asset management).

- **Learning** quantifies best practice, highlighting areas of weaknesses and the work needed to be done to close the gap.

Having undertaken the benchmarking process, if all is well and nothing needs improving – which is rarely the case – then at least this has been confirmed. However, organisations will almost always wish to adopt some of what has been learned from partners in the exercise, and perhaps to set targets accordingly. Ultimately, if anyone is doing things better than you, you will know how, why and at what cost.

**Reporting and improvement planning**

It is clearly important to report performance, both ‘up the line’ to demonstrate current success and direction and also ‘down the line’ to service delivery levels. Typical reports might all come from the same dataset, but be cut in the following ways:

- board report;
- business unit report;
- asset senior management team report;
- service team(s) reports;
- outsourced supplier reports;
- stakeholders (such as health and safety, group security, etc.);
- building manager reports;
- user group reports.

These reports are very much bespoke to each organisation, but the following points are universal truths:

- only report what is required, to the people that need it;
- stick to the headlines, do not report too much information; and
- try to avoid jargon, use ‘plain language’.

![Figure 5.5: Achieving performance](image)
Chapter 5: Review and Performance Management

**Taking improvement action**

The final crucial step in the cycle of performance management is to take action to improve performance. Indeed, John Oakland’s work on Total Quality Management (TQM) states that having recorded your performance data, used and analysed that information, the next key task is to act on the results. Failure to take action is likely to lead to frustration.

Figure 5.5 indicates a process that can be used to help clients build up a performance culture.

5.4 CONCLUSION

This chapter has made two main points:

- the wisdom of reviewing the entire asset management system in an organisation before embarking on more detailed performance measurement; and
- more detailed performance measurement comprises both:
  - asset base measures, designed to assess the contribution of the asset to the achievement of organisational goals; and
  - property measures designed to measure the performance of asset categories or individual establishments.
Chapter 6
Change Management
Keith Jones, Director, Performent Consulting

Chapter overview
- This chapter describes the attributes that are needed to change the way in which an organisation deals with its asset base. It covers corporate change and asset services change and the desirable change management attributes of an asset manager.

Benefits of change management and improvement
- Essential to moving an organisation from unawareness to excellence in asset management
- Puts asset management on the corporate stage
- Makes asset management a key business tool
- Facilitates improved business performance

6.1 COVERAGE OF THIS CHAPTER
In the previous chapter of these guidelines, the need for both asset management system review and ongoing asset performance review was discussed. Both types of review will often require a response across the whole organisation rather than solely within the services that directly manage the assets. Providing that response can be challenging and sometimes the asset manager may not be familiar with the change management techniques needed. This chapter of the guidelines discusses the issues involved in change management. Its purpose is to highlight the importance, in asset management, of being able to manage change. It identifies the areas of change that are often encountered and records some of the specific features of change in relation to asset management.

It is not the purpose of this chapter to reproduce extracts from management texts or to repeat management principles on change management. Asset managers can resort to these texts to apprise or remind themselves of those matters. Neither is it the purpose of this chapter to consider the implementation of technical changes that may be needed to the asset base, which is covered elsewhere in this book and in a multitude of other sources elsewhere.

6.2 UNDERSTANDING THE NATURE OF CHANGE IN ASSET MANAGEMENT

Context
The stages needed to move an organisation from ‘unawareness’ to ‘excellence’ in asset management can be found in the Leeds University/OGC ‘Maturity Matrix’ which is reproduced on the following page (Improving Property Asset Management in the Central Civil Government Estate, Leeds University for the Office of Government Commerce, 2006 and updated at www.ogc.gov.uk/high_performing_property_the_maturity_matrix.asp). Identifying the potential changes needed to move from one stage to another gives a clear insight into the challenges for the asset manager.

The asset management business process diagram used in this guidance (see Chapter 1, Figure 1.2) also gives an insight into the changes that may need to be made. They are also described in Chapter 5 – Review). The changes may be concerned with:
- improving strategy;
- improving programming;
- improving delivery;
- improving review,

as well as changing the contextual activities, such as:
- leadership;
- culture;
- customer service;
Exemplars for High Performing Property (Excellence)

<table>
<thead>
<tr>
<th>Maturity Level</th>
<th>Corporate Governance</th>
<th>Organisational Structure, Roles and Responsibilities</th>
<th>PAM Policy, Objectives and Strategy</th>
<th>PAM Information Systems and Communication Strategy</th>
<th>PAM Planning</th>
<th>Acquisition &amp; Disposal</th>
<th>In-Use Performance</th>
<th>Performance Review</th>
<th>PAM Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>All PAM capability &amp; capacity requirements in place, with structure, roles and responsibilities embedded, reflecting size and nature of asset base. Stakeholder management and communication is well defined and documented. Senior managers fully conversant with business, technology and sustainability implications of PAM.</td>
<td>PAM fully embedded and aligned with wider policy &amp; business strategy. PAM policy, objectives and strategy endorsed by key stakeholders and management team. Includes consultation with relevant stakeholders. PAM strategy is whole life performance focused and continually updated using accurate and comprehensive information systems.</td>
<td>Positive planning of PAM information requirements and business strategy. PAM planning and business strategy planning is integrated. PAM information is integrated with key stakeholders and used to inform development of time-based PAM plans.</td>
<td>PAM Plans are corporate objectives driven, consistent with business plans, other organisational strategies, PAM policy, strategy and targets. Financial optimisation and internal control planning embedded and used to inform development of whole life strategy planning.</td>
<td>Long-range strategic planning, social, business and technological and market focus. Performance reviewed against value for money, business effectiveness and sustainability. Performance measured using accurate and comprehensive information systems.</td>
<td>Evidence of continued improvement in PAM capability and property performance.</td>
<td>Positive feedback sought from stakeholders for input into audit programme. Achieving benchmark efficiencies, effectiveness. Independent audits performed, personnel involved in whole-life organisational PAM audits.</td>
<td></td>
</tr>
</tbody>
</table>

Competence

PAM Board embedded within a PAM Policy and across sponsored bodies. Appropriate executive and advisory functions established for PAM Boards across the Department. PAM Managers and Members embedded with frameworks. Activities, initiatives undertaken, strategies implemented also represented in PAM Board. Visibility of system of internal control and decision structures embedded.

| Knowledge | PAM Board (PAM) established, boundaries and responsibilities of roles and responsibilities of PAM Board in place. PAM Board structure and responsibilities also embedded at relevant strategic and operational levels. Visibility of PAM Board is established at all strategic and operational levels. | Organisational capability and capacity has some but not all the core requirements for strategy, and tactical & operational PAM in place. PAM Champion appointed. Appropriately skilled staff for PAM providing appropriate aspects of structure, to reflect established requirements. Requirements of Professional Skills in Government. | Formal statement setting out PAM Board and relevant policies as appropriate for scale and nature of assets, including PAM objectives. | Identification of information requirements and PAM. Includes data on sustainability. Data is collected for all PAM issues for populating information systems. Procedures in place for assessing information and using it to inform decision-making by appropriate people. | PAM Plans established but not all consistent with PAM, strategy, objectives and plans. Performance management of assets using benchmarking, including sustainability. Prioritization of investment and strategy. Performance measurement and improvement. | Procedures in place to monitor and measure the condition, sustainability and asset performance. | PAM strategic and tactical capability review programme established across all sponsored bodies to support Department decision-making. | PAM audit programme forward looking and based on risk assessments and corporate governance requirements. Audit programme objectives and strategies incorporated. Performance management procedures underpinning Key Performance Indicators (KPIs) embedded across Department and across sponsored bodies. |

Awareness

| Awareness | Property assets as a tactical resource. Directions on capital and operational expenditure on property assets is defined throughout the organisation. Bringing together property decisions and PAM at strategic level is recognised. Visibility and transparency of relationships and decisions being developed for PAM. | Definition of roles, responsibilities and authority levels for PAM being put in place and located in organisational structure. One or more individuals with appropriate management, advisory, and PAM roles in place. | Formal planning in place but inappropriate for nature and scale of assets, some alignment with business strategy. | Some PAM information is held on an ad-hoc basis. Information does not support and align with business strategy. | PAM Plans are being established, but are not appropriate for needs and are not linked to the achievement of PAM strategy objectives. | Procedures in place to monitor and measure the condition, reliability and performance of all assets in-use. | PAM audit programme, including sustainability, embedded and linked to corporate governance and improvement regimes. Skills & training needs identified. | PAM audit programme understood. Links with risk assessment of assets based throughout. PAM capabilities and improvement regimes also understood. |

Unawareness

| Unawareness | PAM Board has not been established or is not known to exist. No strategic framework for managing in property assets. Property assets not seen as important or essential to business delivery. | No or limited consultation given to relationship between organisational structure and PAM. No staff resource active in management of assets. | PAM information in place but inappropriate for needs and scale of assets, some alignment with business strategy. | Some PAM information is held on an ad-hoc basis. Information does not support and align with business strategy. | PAM Plans are being established but not in line with business conditions. | Procedures being developed to monitor and measure the condition, reliability and performance of all assets in-use. | No procedures exist to monitor, measure or review the PAM framework. | PAM audit framework understood. Links with risk assessment of assets based throughout. PAM capabilities and improvement regimes also understood. |

(From Improving Property Asset Management in the Central Civil Government Estate, Leeds University for the Office of Government Commerce, 2006 and 2007)
• organisational structure, roles and responsibilities, governance;
• resource management and capacity building;
• data management.
This is illustrated in Figure 6.1.

Two distinct types of change can be identified that an asset manager may be called upon to implement:
• corporate change (i.e. change outwith asset services and the individual buildings within the asset base) – those needed to get the organisation, as a whole, to respond; and
• asset management services change – those needed to make sure that asset management services facilitate the delivery of the changes and the improvement in performance of the asset base and individual assets.

Corporate change

The asset manager can typically be at the centre of the following corporate changes:
• General
  – Senior managers championing – getting senior managers to understand the significance of assets in business management and to champion the process.
  – Getting buy-in to strategic decision making – working with operating units to understand their requirements and to get their buy-in to corporate decision making, rather than operating unit decision making, on asset management matters.
  – Culture – ensuring that there is a culture of support and belief in asset management in the organisation.
• Asset management strategy and policy
  – Identifying explicit business drivers for assets – working with senior and middle managers in the organisation, to comprehend and record the long-term business drivers of the organisation and to identify its implications for assets and the long-term vision and strategy for the asset base.
• Roles, responsibilities and governance
  – Agreeing corporate standards, procedures, roles and responsibilities – working through the asset management processes across the organisation and clearly agreeing standards and procedures; and clearly agreeing roles and responsibilities for asset matters and decisions, and the organisational structure necessary to make those decisions and implement them.
• Communication
  – Forging links with stakeholders – creating effective dialogue on asset matters with all stakeholders to ensure effective involvement in decision making and to inform stakeholders of relevant asset information and particularly performance information.
  – Forging links with partners – creating effective dialogue with partners to allow joined up use of the public asset base.
  – Communicating complex asset issues simply – developing skills and capacity to communicate...
asset issues (strategy, performance, technical) simply and relevantly to stakeholders.

- **Influencing other bodies funded by the organisation, on asset matters** – making sure that the principles of asset management being applied in the organisation are being communicated to, and acted upon, in other bodies which are funded by the ‘parent organisation’, e.g. sponsored bodies in central government and schools in local government.

**Asset management planning**

- **Business planning techniques for asset management** – development, introduction and use of modern and sophisticated business evaluation techniques applied to the asset base.

- **Corporate asset data** – introducing corporate asset data systems where necessary linked to other corporate management information systems and linked to operational databases.

- **Corporate project management** – large corporate projects where asset change is at their centre often start as asset projects and then gradually grow. The asset manager will need to have developed the capability to manage such projects with all the non-asset activities and relationships that may be involved.

**Acquisition and disposal**

- **Corporate and planned acquisitions and disposals** – developing a business-driven, planned acquisitions and disposal policy, driven by corporate value and medium- and long-term corporate planning, rather than driven by price/cost and short-term operational planning considerations.

- **Strategic procurement** – the introduction and use of corporate procedures for procurement of assets designed to be innovative, effective and efficient.

**Operation and maintenance**

- **Operational assets** – encouraging, introducing and monitoring the use of robust asset systems in the management of operational assets.

- **Maintenance** – agreeing an effective and funded programme of planned maintenance together with reactive maintenance procedures, designed to minimise whole life costs and maximise whole life value to the organisation.

- **Sustainability** – ensuring that all aspects of the use of assets are properly founded on good environmental and sustainability principles.

**Performance review and accounting**

- **Agreeing business critical success factors for assets** – working with senior managers to determine the critical performance areas for assets in terms of business goals and objectives and business drivers.

- **Business performance indicators for assets** – using agreed critical success factors to develop performance indicators for the asset base and using these indicators, over time, to improve performance.

- **System review** – introducing effective review of asset management systems and appropriate corrective action programmes.

**Asset management services change**

The Asset Manager will typically be leading the following changes in asset services:

- **Skills and capacity development** – ensuring that the capacity and skills required for effective asset management are present within the organisation.

- **Culture change** – moving those involved in asset management from a ‘property management’ mindset to an ‘asset management’ mindset.

- **Changing from a customer focus to a client/executive focus** – the asset management function will require client management/executive decision-making techniques that have been described by some experienced asset managers as ‘consultancy’ techniques (e.g. client relationship management, information collection, analytical skills and techniques, recommending and getting agreement to high-level executive action, change project implementation, advocacy of recommended action, presentation skills (which may be slightly different from the customer skills of property management)). These techniques allow the asset manager to relate to their stakeholders in the most appropriate way to achieve success.

- **Organisational change** – asset management services and their relationship with property management services may necessitate some structural reorganisation, to make them function effectively and to ensure that they relate to each other effectively.

- **Team building and people change** – the asset management team may need to be brought together to form an efficient and effective team involving team development and people development.

**A gradual process**

Improvement in the performance of the asset base and of asset management services will not be achieved immediately or even in one year. It will be a constant iteration of gradual improvement over a long period of time, continually visiting and revisiting various aspects to improve each in turn.

**6.3 ATTRIBUTES OF GOOD CHANGE MANAGERS IN ASSET MANAGEMENT**

Some of the attributes that will help to make corporate change happen are listed in the following paragraphs. They are also captured in Figure 6.2.

**Leadership**

The importance of leadership in asset management is described in Chapter 7 – Leadership and Customers.
Suffice it to say here that the leadership style required in asset management is more likely to be democratic and permissive rather than autocratic or charismatic.

**Understanding people and engagement**

People skills are an important attribute of the asset manager. Highly effective relationships with those in the organisation who must be influenced in order to improve asset management performance will be paramount to change.

**Effective use of time – delegation and empowerment**

Asset management is not a part time job! It must be a full-time occupation. It will be important for the asset manager not to be drawn into the detail of property management and to ensure that other staff who are dedicated to asset management are empowered to do so. The head of asset management will need to spend much time on the change process and delegate day-to-day responsibilities. The dilemma is illustrated in Figure 6.3.
**Motivation**

To sustain change will require motivation: motivation on the part of the asset manager and motivation instilled into those across the organisation that are responsible for the various aspects of corporate asset management. Understanding what does and does not motivate people will be important to the asset manager.

**Communication**

It is said that there are three rules of change management:

1. communicate;
2. communicate; and
3. communicate!

The asset manager will need to marshall high-level communication skills in:

- presentations;
- facilitating group work and workshops;
- chairing meetings;
- one-to-one dialogues;
- the written word generally and particularly report writing (the importance of this ability should not be underestimated).

As the asset manager moves more and more into the corporate limelight it may not be enough just to rely on innate abilities. Some training and development in this area may be among the most beneficial of all training and development for the asset manager.

**Organisation and a programmatic approach**

The final area where attention is needed is in having an organised and programmatic approach to change management. It is not an ad hoc activity to be ‘knocked off’ as it arises. It is important to see it as a strategic activity with a strategy and a series of tactical steps over a sensible period of time. Change does not happen quickly. Indeed, some observers in local government, where asset management has been a key initiative over the last ten years or so, have remarked that the sub-sector is only half-way there at this time. Not only is organisation important but so is measuring performance. Set targets for change and measure the organisation against them.
Chapter 7
Leadership and Customers

John Cornish, Head of Estates, Department for Communities and Local Government

Chapter overview
- The creation of an effective asset strategy and asset management system requires leadership and communication skills as well as an understanding of property management issues. This chapter considers the skills that are needed to lead asset management in an organisation; how these skills might be recognised and developed; and the importance of leading projects in a corporate environment is investigated.
- The relationship with customers and stakeholders is also considered and the importance of consultation with these stakeholders.

Benefits
Most organisations require strong leadership if they are to get the best out of their assets. This extends to leading major corporate projects. This leadership should also include developing good relationships with stakeholders, including customers.
Without this leadership and dialogue with stakeholders it is extremely doubtful that effective asset management can be achieved.

7.1 LEADERSHIP SKILLS

Leading the asset management agenda
Within an organisation, leading the agenda for asset management requires an understanding of, and an empathy with, the business and its objectives. Additionally, there should be an ability to formulate and promote an overall strategy that supports and develops the business.

The effective leader will work with relevant decision-making boards and groups, internal stakeholders and partners and customers/clients to identify needs, develop, and then achieve, agreed objectives.
This may be a different role than one hitherto adopted by property managers in the public sector, where the requirement may have been for highly effective property management expertise and property management services, reacting to client requirements. The asset management agenda changes this and the asset manager will now need to display the following characteristics:
- business leadership rather than purely property management leadership;
- enthusing the organisation about asset issues;
- communicating precisely and simply, presenting asset issues in a clear manner;
- convincing senior managers of the importance of asset issues to business performance;
- developing and brokering a clear vision for the future of assets in the organisation;
- understanding and explaining the relationship between business performance and asset performance;
- helping and persuading operational managers to achieve corporate asset objectives and ensuring that they follow corporate objectives for assets.

Identifying leadership skills for asset managers
Leadership skills are wide ranging and an effective leader requires a combination of many if not all of the necessary attributes. Although extensive, they can be narrowed down into four distinctive spheres of activity:
- technical expertise;
- knowing the business;
use of human, IT and financial resources;
- personal skills.

The list that follows is applicable to the person charged with leading the asset management agenda within the organisation. Others involved in leadership and management of assets may only require some of the skills listed.

**Technical expertise**

Technical knowledge and expertise requires an understanding of:
- basic overall asset functions, practice and procedure;
- the difference between asset management and property management and the principles of asset management;
- the ethos of modernisation agendas;
- resource accounting and asset related finance, generally;
- the key elements of capital and revenue funding relating to the organisation;
- business planning and business process;
- sustainability and environmental issues.

**Knowing the business**

Understanding and integrating with the business requires:
- awareness of the organisation’s corporate strategy and policies;
- knowledge of the structure and organisation of the business;
- an interest in and understanding of the organisation’s aims and objectives;
- knowledge of its financial and other resource constraints;
- an ability to relate to, communicate and work with other resource deliverers;
- developing close and regular contact with those delivering the organisation’s policies and services.

**Use of human, IT and financial resources**

Managing people and resources requires skills in:
- engaging the right key people for the team and identifying those within stakeholder groups who will coordinate activity and information to inform the asset strategy;
- developing individual skills of asset management staff;
- building a corporate team including dedicated asset management staff;
- managing strategic performance;
- financial management;
- information management.

**Personal skills**

As far as personal leadership skills are concerned, a number of people are born with or acquire them naturally, but many if not most of us will learn and develop them over time building on life experience, on the job familiarity, and through training and development. Some of the key skills for leaders are the ability to be:
- visionary and innovative;
- motivational and inspirational;
- a problem solver who remains results focused;
- trusted and sound in judgment;
- loyal and to have integrity;
- a communicator, open and accessible to the views and ideas of others;
- a good organiser;
- confident, determined and a strong, decisive decision maker willing to stay the course;
- continuously improving;
- a team leader and player able to delegate, support, coach and direct;
- an initiator and developer of change;
- advocating, engaging and persuading; and
- strategic and promote cultural change.

**Developing leadership skills**

A person charged with responsibility for asset management in an organisation should have access to appropriate training in order to fulfil the corporate asset management leadership role. It should not be seen as an ‘optional extra’. In many public organisations these skills need development and should be programmed and properly funded. This HR investment should be aimed at and will result in enhanced returns to the organisation through better service quality and financial performance improvements.

Leadership development may be provided by:
- training and development programmes;
- longer-term sponsored education (e.g. MBA, MSc, Diplomas, Certificates, Specialist Programmes, etc.);
- targeted external conference/workshop/seminar attendance;
- structured self-learning;
- managed personal development plans;
- outside challenge and mentoring;
- consultancy support aimed at knowledge transfer;
- working with other organisations that are dealing with similar issues.

**Corporate project management**

It is the asset management leader’s role and challenge to justify and obtain adequate resource allocation for
corporate change projects, which have at their heart asset change (an example of this is an office rationalisation/relocation where corporate objectives are as much about productivity, culture change, recruitment and retention as they are about asset change and finance). It should not be left as a task to be undertaken as a 'bolt on' to day-to-day property management.

Leaders of corporate projects, where assets are one of the main, or the main enabler, need to understand the:
- principles of property management and construction management;
- key linkages within corporate projects;
- business need for the project and its intended contribution to corporate objectives;
- appraisal of business options;
- difference between feasibility project management, corporate change project management and construction or property project management;
- principles of project and change management;
- IT support available for project design and management;
- need to analyse the impact and outcomes on the organisation;
- need for stakeholder input at relevant stages.

Project leaders also need the ability to:
- accept personal accountability for the project’s success;
- project plan, including critical paths;
- assess and manage corporate risk;
- assess investment decisions to be taken;
- identify the integrated project team and their roles and responsibilities including clients, consultants, contractors, specialist advisers and suppliers and run as a single team;
- manage an integrated project team and/or be an effective team player in a project team;
- monitor projects and ensure their implementation;
- communicate within the team and manage communication outside the team and the organisation;
- select appropriate and effective delivery partners;
- define the authority for project decision making.

7.2 ENGAGING STAKEHOLDERS

Why consult?

Public authorities should develop consultation approaches that encompass the full range of asset management functions.

Stakeholders are those people or organisations who influence, or are impacted by, the business of the organisation, its programmes or projects. Public sector organisations do not operate in isolation from society and their stakeholders have a legitimate interest in the way business is conducted. Stakeholder satisfaction is central to effective asset management. By involving stakeholders in key decisions that shape day-to-day operations, organisations gain an understanding of current and emerging issues and can best balance interests and improve performance.

Effective consultation

Effective consultation should include:
- Initial identification of all relevant stakeholders, stakeholder groupings and stakeholder representatives in relation to each area of asset management. These could include internal and external stakeholders such as board members, strategic officers, other departments, building or service users, non-service users, client groups, external interest groups and opinion formers, staff, trade unions, clients and partner organisations.
- Categorisation of responses of stakeholders by their influence or impact and commitment.
- Setting clear objectives for consultation. Establish why you are doing it; what information you want to find out; who you are going to consult with and what you are going to ask; which form of consultation will work with which stakeholder group (especially with hard-to-reach groups); and finally, and probably most importantly, what you are going to do with the information.
- Ensuring consultations are not too asset management focused, where the key issue relates to service delivery and business performance as opposed to simply the performance of an asset. By consulting on the service itself you should be able to track back to the contribution that the asset is making to the service and whether there needs to be any change.
- Carrying out an overall cost benefit assessment of the proposed consultation methodology. The approach and, therefore, the cost of consultation should be tailored to the expected benefits envisaged. Public sector organisations need to prioritise when consulting, otherwise the consultation exercise could grow to become unmanageable or over extravagant for the original purpose.

Consultation and asset management

Historically public organisations have perhaps overlooked the importance of consultation in relation to asset management and it is only recently that the potential for significant benefits has been realised.

Consultation with key stakeholders across all functions is very important to effective asset management. There are a number of specific areas that are worth highlighting.
- Capital prioritisation needs an approach that allows strategic consultation. Questionnaires, often with
simple scoring mechanisms, can be effective in achieving this.

- **Option appraisal** is similar to capital prioritisation but usually requires more in-depth consultation with potential stakeholders to ensure the best solution within the resources available.

- **Effectiveness of assets** particularly requires consultation with building managers and users including, where relevant, the public, to ensure the suitability of the building for the services that are being delivered from it.

Often there are insufficient resources to consult widely and so organisations should carefully prioritise to ensure the best consultation ‘fit’ is achieved. There is no one ‘right’ method for all circumstances. Different stakeholder groups, different circumstances and different service areas will require different approaches to ensure the best results.

Be clear about how you are going to communicate the consultation results both to those you have consulted with, and to others, and how the results of the consultation will change or improve things. This can be done through intranet bulletins, newsletters and communication direct with consultees or a combination of these.

**Identifying and engaging external stakeholders**

Managing external stakeholders is essential to achieving successful change programmes and projects. Relationships with key external stakeholders should reflect the influence or impact of the stakeholder. Involvement can be through:

- one-to-one briefings;
- direct request for comments on a briefing paper on the issues concerned;
- presentations;
- workshops and seminars;
- newsletters – hard copy/e-mail shots;
- web communication;
- stakeholder forums where there are many diverse stakeholders; and
- other organised events.

Whatever approach is adopted there should be consistency and stakeholders should receive information that is relevant to their area of interest and not be overloaded with unnecessary information or detail. The briefings should lead to awareness, then familiarity, and ultimately, trust and high performance relationships.

**The benefits of improved consultation**

Better consultation helps to:

- align customer and client service need to service provision;
- prioritise services enabling better overall use of resources;
- set performance standards and make monitoring more relevant to stakeholder needs;
- establish a working partnership with stakeholders so they can understand and help with any future difficulties;
- become alert to problems quickly so that these can be rectified before they escalate; and
- symbolise the commitment to openness, transparency and accountability, putting service delivery first.

**Engaging key internal decision makers**

Internal decision makers can be subject to many competing demands on their time and attention. It is important, therefore, to communicate effectively with them and indicate succinctly and concisely what the issues are, the consideration given to the issues, their impact on the wider organisation and the recommended way forward.

Personal and regular contact by the person responsible for asset management, with key decision makers can be a powerful means of conveying concepts, ideas and advice on asset management and gaining the all important corporate understanding and support needed. Time invested in short, well-planned meetings can be particularly productive, capturing the attention and understanding of the significant issues involved.
Chapter 8
Organisation

David Bentley, Head of Asset Management, CIPFA (Chartered Institute of Public Finance and Accountancy)

Chapter overview
This chapter examines the key organisational issues relating to asset management. It stresses the need for corporate structures and processes, for clear responsibilities for asset management and for governance mechanisms and to have the appropriate organisational culture for asset management.

Benefits of good organisation for asset management
Good organisation arrangements are a prerequisite to successful asset management, whether it is for alignment with corporate objectives or for improved performance. In its absence, it is unlikely that any of the outcomes described elsewhere in these guidelines can be achieved.

8.1 KEY STEPS
The key steps involved in considering organisational issues for asset management are explained in the paragraphs that follow and they are summarised in Figure 8.1.

8.2 ORGANISATIONAL CULTURE
The culture and attitude of an organisation towards asset management is often a more significant contributor in delivering asset ‘success’ than the organisation of the asset management function itself. Asset success can be measured in many ways, but to be completely effective the asset management function must have influence beyond its own professional area and embrace the whole organisation. Aims and objectives at a corporate level, and right down to operational delivery, need to be translated into asset needs.

Equally, operational and other non-asset managers need to understand the importance of assets within the organisation.

A successful organisational culture, therefore, can be stated as a willingness for all parts of the organisation, asset and non-asset stakeholders alike, to understand others’ service requirements, standards, priorities and budget constraints and be prepared to work for the greater good of the organisation. This of course should be the policy though all parts of an organisation.

8.3 PROCESS

The elements
There is no one model that can be identified as ‘best practice’ for asset management. There are, however, a number of key elements and how these are implemented varies across organisations dependent on size, resources, ways of working and culture.

The contributing elements of a ‘good’ asset management structure are as follows:

Figure 8.1
● good linkages to corporate aims and objectives and to corporate decision makers and budget holders;
● single point of contact for the asset management team;
● clear demarcation between asset management and property management and decision making;
● full involvement of all key operational areas;
● clear and regular asset management reporting lines throughout the organisation;
● integration with financial planning;
● good linkage with other support functions;
● an effective corporate annual business planning process for assets.

**Good linkage to corporate aims and objectives and to corporate decision makers/budget holders**

An organisation needs to be able to translate its high-level ambitions into asset aims and objectives. Sometimes these can be related to prioritisation of service objectives or they may concern particular policies or standards such as reduction of energy use, or the imposing of space restrictions. In all cases this high-level process requires asset managers to engage with the organisation at ‘corporate’ level and develop a robust on-going relationship with key policy developers and decision makers. Meetings will take place often on an ad hoc basis throughout the year and will, for example, review the asset strategy and/or asset management plan; review asset base performance against corporate objectives; review overall capital planning and capital programming; consider major corporate change projects (e.g. office relocations), etc.

Reporting to decision makers and budget holders needs to be timely and in a clear, agreed format enabling key decisions regarding assets to be made with confidence. Sometimes asset management reports are written in technical language with little business communication impact (either positive or negative) or reference to service delivery and quality standards. This often results in ill-informed decisions being made. It is important that asset managers engage with decision makers and provide regular briefings on current and impending asset issues thus facilitating more informed decision making.

**Single point of contact for asset management team**

In many large organisations there may be a lack of awareness about who will assist with asset management issues and enquiries. It is important, therefore, to have an agreed single point of contact for corporate procedure, advice and standards on asset management. In smaller organisations this may be one person, but most commonly this will be a asset management team to which all relevant asset issues are referred. It is not expected that such a team would action everything themselves, but it is important that the asset management team has a clear and current overview of the asset situation across the organisation, can provide clear current and consistent guidance and has the ability to intercept and identify issues and problems at an early stage.

**Clear demarcation between asset management and property management decision making**

Ideally asset management functions should be provided separately from day-to-day property management functions. Chapter 1 of these guidelines highlights the difference between asset management and property management.

The asset management function will provide coordination in relation to land and buildings and will closely interact with corporate policy and decision makers providing forward strategy and planning. The size, scope and exact nature of the asset management team will vary dependent on the characteristics of the organisation’s asset base. However, it is important that the asset management team has adequate resources and is separated from operational tasks. This is discussed in Chapter 9 – Resources and Capacity. Overlapping with operational responsibilities often means that overall strategy and planning is neglected through undue pressure from day-to-day emergencies that should be handled elsewhere.

**Full involvement of all key operational areas**

Any successful asset management approach has to be effective in engaging with all key operational areas. For some public sector bodies this may just be with one principal operating unit, while other organisations may have many operating units that will have differing and sometimes competing accommodation requirements which need to be corporately prioritised. Each operational section, in conjunction with the asset management team, will need to develop its own accommodation requirements that conform to the overall asset strategy. Key operating units should also be represented by personnel at an appropriately high level on any corporate asset management group (see ‘Roles and responsibilities’ at 8.4 below), and these personnel will, in essence, be the focal point for assets within their own operating units.

This may become an increasingly important key relationship in the future as good asset management practice spreads out from ‘parent’ organisations into ‘sponsored’ organisations (examples of this are schools, departmental sponsored bodies in central government and increasingly in local government where assets may be gradually transferred to local communities).
Clear and regular asset management reporting lines throughout the organisation

Good communication channels within public sector organisations should stretch from high-level corporate policy right down to operational delivery. It is not enough to put systems in place: they need to be regularly reviewed and monitored to ensure any communication approach remains effective.

Integration with financial planning

Asset strategy needs to be integrated with the capital and current expenditure financial planning of an organisation. Often these are carried out in isolation with a result that neither can be effectively delivered. The key relationship is with the financial planning process, but it is also important that ongoing monitoring of strategic financial information continues, for example the measurement of capital receipts from surplus assets. Only in this way will there be an awareness of the benefit of aligned asset management and, for example, financial efficiencies.

Good linkage with other support functions

Asset management, as a support function, needs to work closely with other support areas to deliver organisational objectives. Many asset-led initiatives require great input from other resource areas to be realised. For example, the success of space utilisation or hot-desking initiatives often relies just as much on new ways of working, skills and competences and the development of IT as it does on the fabric and design of office space. The exact method for engaging other support functions can vary dependent on the organisation and the specific project.

An effective annual business process for assets

The asset planning process needs to be very closely related to the overall corporate business planning process. This is described in detail in Chapter 2 – Strategy and Vision Development.

8.4 ROLES AND RESPONSIBILITIES

Although the organisational structure for asset management within any organisation may vary greatly, it is worth highlighting a number of key recommended roles and responsibilities. We are aware that job titles vary according to the organisation but the principle remains that the structure must place a senior manager to be responsible for asset management across the organisation and a ‘asset champion’ must exist at Board level to whom the senior manager responsible for asset management reports. The asset champion is responsible for ensuring that the organisation responds to the call for excellence in the management of its assets. A number of these key roles are described below.

Senior manager for asset management (SMAM)

The SMAM is responsible for putting the necessary asset management processes into place and for producing asset performance and outcomes aligned to an organisation’s aims and objectives.

The exact roles and responsibilities of a SMAM will vary but these will include:

- facilitating and providing a focal point for a corporate approach to asset management;
- strategically managing the asset management processes and programmes;
- being responsible for the development and subsequent review of an asset strategy or asset management plan and keeping this up to date;
- ensuring that consultation on asset management is undertaken with all relevant stakeholders;
- being responsible for the development and management of a performance framework for asset management;
- ensuring that appropriate information is available on assets and their condition.

Corporate asset management group (CAMG)

The CAMG is typically a corporate group made up of representatives from each operational and central department within the organisation. The group would have an overall responsibility for developing a corporate approach to capital expenditure and the use of assets throughout the organisation, take a strategic view of the capital programme and asset management and manage the implementation of the agreed asset strategy, capital strategy and asset management plan. Recommendations from the group will be reported directly to the senior decision makers, senior politicians and to Board members as appropriate.

The SMAM would be a key member of this group and may act as the chair and organise the facilitation of the group. The representation would be made up of senior personnel from major operational areas and resource sections.

The group will meet on a regular basis but the intervals for such meetings would be very much dependent on the size of the organisation. A large multi-faceted public body with many assets would have a group that could meet perhaps on a monthly basis, whilst a smaller organisation may only have a CAMG that meets two to three times a year.
The asset champion must sit on the top management team, be a senior politician or Board member and take the responsibility for getting the ‘asset voice’ heard at the top of the organisation and getting CAMG recommendations adopted and followed. In this regard the asset champion would liaise closely with the SMAM and be aware of the asset management needs of the organisation to enable these to be set in context against other strategic needs and priorities. In some organisations the SMAM and the asset champion may be the same person.

8.5 STRUCTURE

The simple structure shown in Figure 8.2 identifies the key roles and responsibilities that need to be present to facilitate a successful corporate approach to asset management. Clearly there are also many other mechanisms that will need to be in place to enable this structure to succeed, such as consultation methodologies and decision-making structures in the wider organisation. Often the asset management approach will stand or fall on the wider structure and management of the organisation.
Chapter 9
Resources and Capacity
Robert Lee, Interim Management Consultant, Solace Enterprises

Chapter overview
This chapter examines the strategic aspects of the resources and capacity necessary to support asset management in the public sector. It outlines:

- the contribution that resources and capacity make to asset management;
- the risks of not addressing training and development needs;
- the role that practitioners can play in supporting, not just their own training and development, but that of others in the organisation;
- the definitions and examples of resources and capacity in asset management – emphasising the interplay between strategic business management skills and those applicable more directly to asset management.

Benefits of proper regard to resources and capacity

- Supporting asset strategies and targeted outcomes
- Improved corporate commitment and integration of asset management with strategic business management
- Improved value for money through asset strategies and programmes better focusing on organisational goals and objectives
- Structured approach to identifying needs and planning and implementing organisations’ resource and capacity training and development action plans and programmes

9.1 THE ROLE OF RESOURCES AND CAPACITY IN ASSET MANAGEMENT

This chapter covers the resources and capacity of an organisation to undertake asset management, this having both quantitative and qualitative aspects.

Asset management is intrinsically a cross-organisational activity. There are two principal ways in which asset management capacity can be provided, either by:

- the formation of a separate specialist asset management team; or
- the allocation of the responsibility for asset management within an existing property management team.

In either case, resources may be supplemented with support from within the organisation or externally.

Which of these two approaches is appropriate will depend upon the size of the asset base and the level of complexity of issues relating to its management.

There are two risks that need to be managed:

- a separate specialist asset management team carries the risk of isolation. Clear roles for the asset management team and any property management team(s) need to be set down along with how those respective teams are to work with the rest of the organisation; and
- where the function is integrated with an existing property management team, then potential conflicts of time and effort as between asset management and operational day-to-day property management need to be recognised and managed (see Chapter 8 – Organisation). Asset management may risk being sidelined rather than used creatively to better organise, prioritise and administer corporate priorities and operational service delivery.
Whichever solution is appropriate, there needs to be a clear allocation of roles and responsibilities for asset management and a clear statement of the organisation’s requirements and expectations. It also needs to be recognised that asset management, if it is to be properly practised, will necessitate commitment to providing the necessary resources to undertake it. That may mean either an expansion of resources or the better deployment of existing resources.

**Why resources and capacity matter**

In the public sector in recent years, the importance of addressing resources and capacity building has received much attention. Examples of this are:

- the Department for Communities and Local Government – Local Government Association ‘Capacity Building Programme’;
- the introduction of ‘Professional Skills for Government’ for the Civil Service, as part of the ‘Government’s Delivery Reform Agenda’;
- the Business Excellence Model (European Foundation for Quality Management) approach;
- the Prime Minister’s Delivery Unit initiatives.

In the case of asset management, there is a particular reason why resources and capacity matter. As Sir Michael Lyons points out (‘Towards Better Management of Public Sector Assets: A Report to the Chancellor of the Exchequer: Sir Michael Lyons: HMSO (Dec 2004)), historically, estates and property management have had a low profile in the public sector, playing a largely reactive role as far as business strategy has been concerned, despite the fact that asset budgets are often second only in size to payroll. Strategic business management demands as much regard for the strategic management of assets as it does for human resources, finance and ICT.

**Who needs to be involved?**

Given that asset management is an integral part of an organisation’s strategic business management, all relevant personnel across an organisation need training:

- Elected or board members need to be familiar with the broad concepts and principles of asset management.
- Senior and operational managers, who, by virtue of their position have an influential role in the strategic direction of the organisation or service, need a higher level of understanding of asset management.
- Property and construction practitioners (professionally qualified, or otherwise experienced) who may play a leading part in asset management processes need support in developing capacity in terms of asset management but also in their understanding of strategic business management.

- Those in roles supporting asset management, such as information systems support and administrative roles, will need training and development to enable them to fulfil their roles.

The scope, level, amount and timing of training and development necessary in any organisation will depend upon:

- the quantitative and qualitative features of its existing resources and capacity; and
- the needs of the organisation's asset management strategy and plans – which in large measure will relate to the size and complexity of its assets.

This chapter primarily addresses resources and capacity in terms of property, construction and facilities practitioners. The training and development needs, as they relate to asset management, of others in the organisation will be similar but should be mindful that resources and capacity need to be considered at three levels within the organisation:

- the organisation as a whole;
- functional and cross-organisational teams;
- individuals.

Apart from their own training and development needs, property, construction and facilities practitioners will play a crucial role in supporting others in the organisation with whom they need to work in undertaking asset management.

**9.2 DEFINING RESOURCES AND CAPACITY FOR ASSET MANAGEMENT**

**Organisational and team capacity for asset management**

The University of Leeds (Improving Property Asset Management in the Central Civil Government Estate: A Report for OGC, University of Leeds, 2006, updated in 2007 at www.ogc.gov.uk/high_performing_property_the_maturity_matrix.asp) suggests a set of capabilities, relevant at organisational and team levels, and a matrix of maturity for assessing how well organisations are currently conducting asset management (the matrix is reproduced in Chapter 6 – Change):

- **Asset management policy.** This sets out the level an organisation is at regarding its policy towards asset management. This is a key enabler and sets the scene and impetus for how an organisation approaches asset management as a whole and includes aspects such as guidelines, key performance indicators (KPIs) and published targets.
- **Roles and responsibilities.** These set out how an organisation’s asset management decision-making structure is set up and managed, including ensuring roles are formally made explicit at tactical and strategic levels of the organisation.
Communication. This sets out how information regarding asset management is handled in terms of data collection, as well as stakeholder, supply chain and management interactions.

Asset management planning. This sets out the level an organisation is at regarding formal asset management planning, including lifecycle costing, risk management, benchmarking and meeting corporate objectives.

Acquisition and disposal. This sets out how acquisition and disposal of assets within the organisation is managed, including factors such as lifecycle costing, health and safety, environmental issues, KPIs, risk management, procurement and social aspects.

Operation and maintenance. This sets out how operation and maintenance of assets within an organisation are managed, including factors such as planned maintenance strategy, risk assessments, cost benefit analysis, training aspects, operation and maintenance plans, responsibilities, ranking of assets in terms of criticality, proactive implementation and evaluation against return on assets.

Performance review and accounting. This sets out how the review and accounting processes within an organisation are managed, including aspects such as KPIs, asset registers, training, financial management, roles and responsibilities as well as strategic reviews.

Audit and review. This sets out how the asset management process is audited and reviewed, including skills and training needs, risk avoidance, use of technology and benchmarking of effectiveness and efficiencies.

The University of Leeds’ Maturity Matrix particularly refers to the Government’s Civil Estate. It is suggested that practitioners in general will find this model helpful in:

- considering capacity at organisational and team levels;
- identifying priority areas for improvement;
- developing improvement strategies and plans; and
- securing organisational agreement and commitment.

Skills and competencies for asset managers

The University of Leeds report (above, 2006) helpfully goes on to indicate a set of competencies for the individual that are particularly relevant for asset management. This draws upon other work by the National School of Government (Howarth, A., Report on Improving the Capability and Capacity of Managing Property Assets in Central Civil Government, National School of Government for OGC, 2006 and work of the Institute of Asset Management). This set of competencies seeks to balance strategic business skills with asset skills, drawing attention especially to business, people, information and risk management.

- Strategic business planning
  - Business drivers and strategy thinking
  - Corporate asset strategy
  - Asset management plans
  - Risk management
  - Project and programme management
  - Sustainability

- Leadership
  - Building up capacity and capability
  - Manage strategic change
  - Manage strategic performance
  - Take responsibility for professional resources
  - Leadership/people management skills

- Asset performance management
  - Benchmarking of KPIs
  - Contract management and monitoring performance
  - Customer/stakeholder management

- Financial management
  - Resource accounting
  - Capital and revenue budgets
  - Whole life costing
  - Business cases and option appraisals

- Data management
  - The investment in, effective compilation and management of asset registers and the use of information and reports therefrom
  - Ensuring validity of data
  - Scope, storage and retrieval of data
  - Analysis of data

9.3 WHAT NEEDS TO BE DONE?

Training and development for asset management in the corporate context

Organisations need to take a structured, disciplined approach to resources and capacity development to support asset management. A generic approach is suggested below but there are a number of models for analysing resource and capacity training and development needs which can be used.

Key steps in analysing resource and capacity

By whatever process appropriate for the particular organisation in undertaking asset management, it is important that the organisation:

- undertakes a review of its resources and capacity for asset management at the outset;
- assesses existing capabilities and competencies to identify ‘gaps’ in respect of the organisation as a whole, relevant teams within the organisation and relevant individuals;
formulates programmes to close the identified gaps within appropriate timescales. Such plans and programmes may include such initiatives as:

- training and development;
- mentoring;
- seminars;
- ‘borrowing or seconding’ of those with relevant skills within the organisation;
- recruitment; or
- strategic partnerships with third parties; and

keeps under constant review resource and capacity strengths and weaknesses and plans and programmes to close gaps.

**Potential traps in implementing training and development plans and programmes**

In training and developing resources and capacity, note that:

- while studying resource and capacity in asset management of other organisations can be informative, it is important to recognise the unique histories and circumstances of the ‘home’ organisation: what works in one context, may not work in another;
- most organisations will have well-established organisational capabilities. Insofar as those capabilities need to be changed and developed, there can be considerable in-built resistance to change. That puts a premium on leadership and inspirational qualities as well as on a clear understanding of and shared commitment to the goals and objectives of asset management.

Finally, it is recommended that a senior manager (probably the SMAM) should specifically be given responsibility for this process and, in particular, for ensuring that training and development plans and programmes are implemented efficiently and effectively. Without that level of commitment and drive, resource and capacity training and development may falter, with potentially serious consequences for asset management and its likely contribution to the organisation.
Chapter 10
Sustainability
Sarah Sayce, Professor and Head of Surveying, Kingston University

Chapter overview
This chapter describes the concepts of sustainability and sustainable development. It explains why sustainability is important to asset management and details ways in which sustainability criteria are beginning to impact on asset management and valuation.

Benefits of sustainability in asset management
In simple terms it seeks to ensure that the environmental aspects of buildings are sustainable, particularly in relation to their carbon footprint. But on a wider front it also seeks to ensure that buildings are socially, economically and environmentally sustainable.

10.1 THE CONTEXT
There surely cannot be an asset manager who is unaware of the concerns raised by global environmental issues, such as climate change and the depletion of finite resources. Current predictions are that the UK will suffer significant warming over the next century, but perhaps of greater importance, unpredictable weather patterns and rising sea levels may, in some cases, threaten the very existence of some buildings in low-lying or exposed areas. In terms of resource depletion, current estimates would show that the Western world is using resources at the ‘three planet’ world level, i.e. we are using resources at three times the rate at which the world eco-system can support.

The problems can seem to be too pervasive and all embracing to be capable of incorporating within day-to-day asset management. However, this is not the case. Although there are indeed global challenges the role of the asset manager is pivotal in ensuring that buildings are procured, maintained and managed in ways that minimise their environmental impact and still meet the occupier’s and owner’s requirements.

Sustainability goes beyond the issue of environmental protection and resource conservation; it embraces the concept of social equity and respect for people and thereby embraces a range of social goals and mechanisms, from health and well-being to good governance. Increasingly, it is the drive to ensure delivery of this agenda which presents asset managers with some of their biggest challenges as legislative changes impact on building usability and increasing emphasis is placed on occupier requirements.

10.2 DEFINITIONS

Sustainable development
There are many definitions of sustainable development but the one that has been most widely adopted is the Brundtland Commission’s definition published in 1987 which calls for development which ‘meets the needs of today without compromising the ability of others to meet the needs of tomorrow’ (Brundtland Commission, Our Common Inheritance, World Organisation on Economic Development, 1987). In essence it introduces the concept of intra-generational equity.

Sustainability and the triple bottom line
The concept of sustainable development, as defined by Brundtland, has been widely applauded at many levels of government. The principle was developed subse-
sequently and enshrined into principles set out in the international declaration following the Rio Summit in 1992.

This has led to a wider understanding and has developed the need to make decisions based, not just on the ‘single bottom line’ of profit and short-term economic gain, but on the ‘triple bottom line’ (TBL) of environmental protection, social justice and economic viability. Within the triple bottom line further distinctions can be drawn and these are shown diagrammatically in Figure 10.1.

From this definition and its extension into the TBL philosophy, it is apparent that there are innate conflicts between the business decision-making processes and delivery on the TBL. In no area is this a greater challenge than in asset management where conventional decision making is based on the concepts of risk reduction and maximisation of returns; additionally for the public sector the requirement for business efficiency and ‘value for money’ may seem to sit uncomfortably with the TBL. Therefore, the challenge is to achieve business efficacy whilst also meeting environmental and social targets.

This challenge has proved difficult for the property and construction industry and has led to concerns that the sector has been too slow to act. In 2000, the Sustainable Construction Task Group, chaired by Sir Martin Laing, put forward the proposition that a ‘circle of blame’ (Risk, Reputation and Reward, Sustainable Construction Task Group, 2000) was preventing the specifying of green, or sustainable buildings (i.e. occupiers blame the constructors for not building environmentally efficient buildings; constructors blame the developers for not requiring such buildings; developers blame the investors who won’t pay for such buildings; and the investors blame the occupiers, as there is no demand for them). This proposition was focused on the commissioning of new buildings. This was indicative that, at that time, sustainability was seen in terms of the environmental credentials of new builds. At that time it was not articulated in terms of relevance to the work of asset management.

Since the circle of blame was recognised, much has changed and there is now an increasing acceptance both that sustainability for assets means more than just energy efficient design of buildings and that appropriate management and refurbishment of existing stock is vital to meeting any form of sustainability targets.

10.3 BUILDING IMPACTS

The environmental impact of buildings

Buildings have a high environmental impact. It has been estimated that within the UK buildings are responsible for up to 50% of all carbon emissions. Additionally, buildings are associated with pollution, water use and the depletion of finite resources. They are therefore key to delivery of any environmental agenda. The environmental impact can be viewed in terms of all stages of their lifecycle from site choice, including location, to construction, to use and eventual demolition.

All of these matters should properly be addressed at the concept and design of a building project.
The construction phase

At the stage of design and construction, the following are the main environmental impacts of a building:

- winning and transportation of materials to site with consequent implications for energy consumption, carbon emissions and depletion of finite resources;
- waste produced and subsequent transportation of waste from site;
- energy and water consumed during construction; and
- ecological impact and hazard to biodiversity.

The energy used within the pre-completion phase is normally referred to as embodied energy and can typically vary from 30% to 70% of estimated whole life energy use.

The building-in-use phase

During building use the key environmental impacts are:

- energy use in occupation;
- water consumption;
- waste management;
- travel to and from the building including distance and mode.

It is at this stage of the building lifecycle that operational management policies can be effective not just in reducing the impacts but also enabling good cost control and value enhancement.

The life-end phase

The life of a building is seldom clearly related to its design life. Put simply, if buildings fail to fulfil their economic function, then, in absence of the ability to adapt to other uses, they will fail regardless of their design life. At this point the demolition process has implications for the environment in terms of both energy and waste. Within the UK construction industry, the level of waste is high compared to many other European countries, with limited success in ensuring maximisation of materials re-use or recycling. Indeed, even where materials can be re-used or recycled there are transport implications and, in the case of recycling, process implications.

Social impact of buildings

It is estimated that people spend up to 80% of their lives in buildings. In the case of children and the elderly this percentage may be even higher. Therefore the quality of the environment in which this time is spent will have a significant impact on feelings of well-being and psychological health; in some cases physical health can be compromised or promoted by the building characteristics. Studies of public buildings such as schools and hospitals point to patient well-being and student learning being enhanced by well-designed, well-lit and well-serviced space.

Social sustainability is not just associated with the ‘soft’ issues of well-being and comfort. For offices, many studies have now found relationships between building layout and worker efficiency. Matters such as good daylight levels, natural ventilation and locally controllable heating systems all have a positive impact on worker productivity. Additionally, the accessibility of a building can affect worker retention.

Social sustainability of buildings can also be considered in terms of the respect agenda with legislation such as the Disability Discrimination Act 2005 placing responsibilities on building owners, occupiers and managers to make reasonable adjustments to enable access.

Sustainable assets

Sustainable assets have often been considered as those which are built to good ‘green’ credentials as exemplified by a range of scoring systems. Most are designed for use at the design stage and have evaluated design features, but the Building Research Establishment Environmental Assessment Method (BREEAM), which is the best known system in the UK, does consider management issues as well. BREEAM was initially devised for offices but has subsequently been developed for use with retail, residential and, from 2005, school buildings.

For all its assessments, BREEAM scores buildings (from PASS, GOOD, EXCELLENT) against the following criteria (www.breeam.org):

- management;
- energy use;
- health and well-being;
- pollution;
- transport;
- land use;
- ecology;
- materials; and
- water.

The emphasis contained within the BREEAM system and others has been on assessing the sustainability of assets in relation to new-build stock only. However, the asset manager is concerned primarily with the ongoing management of the building stock and this is normally replaced at a rate of only 1% to 2% per annum. Therefore, in practical terms for the asset manager, the major impact is likely to fall on existing stock and its ability, or otherwise, to meet ongoing occupational requirements and the need to comply with legislation.

Characteristic of most of the scoring systems is that they concentrate on environmental performance,
whereas sustainability implies a wider approach. If local authority asset managers are to be effective in driving forward the government’s ambitions in relation to both the environmental and social targets, it is improved management systems and sustainable refurbishments that must be the chief engines of delivery.

10.4 A SUSTAINABILITY CRITERIA APPROACH FOR ASSET MANAGEMENT

Action for the asset manager

An intrinsic aim of asset managers should be to enhance the sustainability of the asset base they manage right across the TBL. In so doing they will be:

- reducing risk to future economic performance;
- enabling progress towards government targets in relation to carbon reduction and social well-being; and
- supporting their authorities to deliver services effectively and efficiently.

The three major points in the building lifecycle at which sustainability informed action is essential are:

- the point of procurement;
- the point of decision making in respect of redevelopment or refurbishment; and
- during ongoing management including regular revaluations of the estate.

These are now each taken in turn.

Promoting sustainability during the procurement of buildings

Frequently the asset manager will not be involved at an early stage in building procurement. Given the importance of initial design, as outlined above, it is good practice for both users and asset managers to be engaged early in the process.

As long ago as 1998, Edwards advocated that green buildings pay (Edwards, B., Gaged early in the process. Given the importance of initial design, as outlined above, it is good practice for both users and asset managers to be engaged early in the process. Since then a wealth of research points to new-build cost premiums frequently being zero or in any event no more than 3% to 5%. When set against savings achievable as measured through, for example, whole life cost assessment techniques, the argument for specifying sustainability driven design features for owner-occupied buildings becomes irrefutable. The management principle must be to include the asset manager within discussions at an initial stage to ensure that design principles are adopted which:

- promote energy conservation and efficiency and reduce carbon;
- allow for water management systems;
- enable good waste management;
- promote sustainable practices (such as provision of lockers and showers for cyclists).

The argument for sustainability within newly procured buildings is enhanced if a long-term perspective is taken. Not only are running costs likely to be reduced and occupier satisfaction enhanced, the periods between refurbishments are likely to lengthen.

Some principles that asset managers should seek to include at the procurement stage are as follows:

- design to support the ambitions of the six ‘Ls’ (see below) notably longevity and loose fit;
- design to maximise natural lighting where possible;
- install heating systems which maximise the use of renewables;
- install grey water harvesting systems to ensure water conservation;
- ensure the use of low maintenance and, where possible, locally sourced materials;
- consider the use of off-site manufacture to minimise waste and transportation of excess materials and improve site health and safety performance;
- seek to reduce embodied energy within the construction process and through the type of materials specified; and
- consult potential users to ensure that the buildings will meet their ongoing needs and that it can adapt to respond to predicted future changes in needs.

Considerations in respect of the demolition versus refurbishment decision

Mention has been made above of the six ‘Ls’ of sustainability. These were developed (Sayce, S. Walker, A. and McIntosh, A., Building Sustainability in the Balance, London Estates Gazette, 2004) to provide a framework within which to consider the issue of demolition versus refurbishment. It is easy to espouse the case that buildings should always be kept for as long as possible on the grounds that this will minimise the embodied energy when this is amortised over building life. Conversely, the technological changes and the drive for low carbon buildings could be seen to hasten the process of redevelopment. The six L framework is an attempt to take a wider view in assessing the issues involved.

- Longevity: a building that achieves a long life amortises the embodied energy and use of resources over the maximum time possible.
- Loose-fit: given that patterns of occupational requirements can change rapidly, a building that is readily adaptable both for other users within the same category of use or to an alternative use, better meets the definition of a sustainable building. Today, the specification of many buildings can be achieved through the use of non-specialist designs.
- Low carbon: it is self evident given the targets for CO₂ reductions and the drive for a low carbon society that a sustainable building is one with a low
carbon footprint. This may be initially design driven, but can be achieved, in part at least, by appropriate refurbishment and by operational management.

- **Locationally appropriate**: the location of a building will impact on its economic value; it will also affect the environmental impact of the building. One that can only be reached by car will not only increase the environmental impact but, if restrictions on fuel are introduced or fuel costs rise, such buildings may depreciate in value disproportionately. However, a building that is inaccessible by car may, depending on its use, simply not meet occupational needs.

- **Liked by occupiers**: the point has been made earlier, under social sustainability, that there is a linkage between occupier satisfaction and economic and social performance. However, this ‘L’ goes beyond this to consider the economic drivers for the building. Only if there is economic usefulness going forward can the building be said to sustainable.

- **Lovability**: buildings have stakeholders who are ‘internal’, i.e. who have a direct interest (legal, financial or employee). They also have ‘external’ visitors. Research suggests that buildings which have the ability to inspire a positive response among external stakeholders as well as those with a direct interest will be more likely to achieve longevity.

The above characteristics provide an indication that a sustainable building is far more than a simple energy efficient structure. When considering asset management decisions regarding redevelopment or refurbishment, these criteria provide a possible framework within which discussions as to whether to refurbish or redevelop can take place.

### Management and valuation

The effective asset manager will seek to balance the needs of the operational entity with the requirement to ensure optimum value in capital terms. In sustainability terms this requires knowledge of factors that affect both the operational aspects of the asset now (revenue or rental drivers) and those which will affect the ability of the property to perform as an asset moving forward or, in other words, the degree to which it could be said to be ‘future proofed’. Where assets in the asset base are ‘bulk class’ assets (bulk class asset is the term normally given to shops, offices, residential and light industrial/warehouse/distribution properties as these are the properties normally traded in the marketplace), sustainability performance will influence capital value but only if potential investment owners build sustainability criteria into their decision-making process and/or tenants build them into their rental bids. Where they are not specialised buildings, management consideration will concentrate more thoroughly on operational issues.

In terms of strategic management the overall aim should be to ensure that buildings are regularly assessed against these criteria, and as and where possible, adjustments of the overall asset base taken in the light of the reviews. Whilst there are no publicly available benchmarks against which to monitor performance, owners should consider developing internal benchmarks in order to target continuous improvement.

It is possible to identify a number of sustainability criteria which should be considered by asset managers when developing both asset strategies. Although the research which identified the criteria related to commercial investment asset, most have application to public sector estates. These are:

- accessibility;
- adaptability;
- building quality;
- climate control;
- energy efficiency;
- pollutants;
- waste; and
- water.

These criteria were developed as part of the Sustainable Property Appraisal Project led by Kingston University School of Surveying, in partnership with Prudential Property Investment Management, Investment Property Forum, Boots Plc, Drivers Jonas, Universities Superannuation Scheme and Forum for the Future.

These criteria are by no means definitive. They do, however, represent the factors which are likely to have an impact on the future operational performance of buildings and will therefore also impact on capital values. If a building is evaluated in terms of these criteria it will provide the asset manager with an agenda for future action in terms of refurbishment or replacement and it should lead to enhanced financial cost control and in time this will be reflected in enhanced capital values.

### 10.5 SUMMARY OF SUSTAINABILITY PRINCIPLES FOR ASSET MANAGERS

- Sustainability embraces the need to evaluate and manage assets on the basis of their TBL performance; that is they should consider their social and environmental as well as economic performances.

- Asset managers must recognise that sustainability is more than a matter of applying technical innovation and the pursuit of energy efficiency.

- The growth of corporate social responsibility (CSR) as a management principle is widely adopted across a range of private sector organisations and should be embedded in all public sector organisations. It follows that building owners and occupiers should seek to integrate these principles within their selection, procurement and management of the assets within their asset base.
Buildings which show good performance across the TBL are likely to suffer less obsolescence and value depreciation.

Asset managers should seek to include sustainability principles at all stages of the building’s lifecycle. This means that the asset manager should be involved at the stage of building design and planning and not after commissioning.

A range of tools are available to assess sustainability at the point of design and procurement, such as BREEAM and their use is advocated. At all times the aim should be to procure or hold buildings which:
- are well-designed and capable structurally of long life in terms of build quality;
- are capable of good environmental performance including being low carbon;
- are flexible, responsive, adaptable due to loose fit;
- are sited for maximum accessibility by multi-modes of transport and thus locationally appropriate;
- are efficient in layout so that they work for and are liked by their occupiers; and
- retain, through their aesthetic and design qualities, the ability to invoke lovability from both internal and external stakeholders.

During the life of the building the asset manager should ensure that buildings are managed and appraised in accordance with sustainability criteria in order to assess the extent to which the building is ‘future proofed’ in terms of matters such as accessibility, adaptability, climate control, energy, pollution waste and water. Buildings which do not score well in relation to these criteria should be considered for retro-fitting, redevelopment or disposal.

The use of an environmental management system, whether or not formal accreditation is sought, will provide the framework within which an asset manager can assist the organisation to move forward both strategically and at an operational level.

Finally, the role of the strategic asset manager is to ensure that building performance, in both revenue and capital value terms, is optimised and that the link between the two is recognised. The further link between building sustainability and value is currently tenuous but it is developing. The proactive vanguard asset manager will recognise this linkage and seek to ensure that sustainability factors are considered at all points in the building lifecycle so that they can better support organisational corporate responsibility goals without compromising user needs and good economic performances.
That data will come from a wide variety of sources. The volume of data required will depend on the size of the asset base, and it may be large. However, the data is only valuable if it is current, correct, complete and consistent. It must be readily accessible and presented in a format suitable for its target audience. Poor quality data is misleading and potentially as bad as no data at all.

The management of such data is not straightforward. Organisations must plan to equip themselves with systems and processes to capture, record and manage the base property data effectively, then manipulate, consolidate, update and report information clearly and efficiently.

It is important to note that while good data is central to good asset management, it will take some time to implement a new data system for asset management. This does not mean that nothing can be done in the meantime. Far from it. It is frequently the case that by using data that already exists in an innovative and creative manner, good initial progress can be made, especially if there are major issues that need to be addressed.

The key steps to improving data management are shown in Figure 11.1 and are explained, in turn thereafter.

11.1 INTRODUCTION

Asset management relies on data. The data is crucial for informing the development of strategies, evaluating and appraising options, decision making and planning, and performance management activities.

11.2 SPECIFYING REQUIREMENTS

The need for data

The key to justifying improvements in data management will be careful consideration of why an asset data...
system is needed, and how it will contribute to the asset management process. The data and systems must satisfy a range of different needs:

- to inform asset review, appraisal, decision-making and planning processes;
- to monitor and assess the implementation of asset strategy and asset performance;
- to satisfy statutory and other external reporting and compliance requirements;
- to support the continuous management and maintenance of the asset base;
- to maintain a complete and accurate asset register.

**Types of data**

The data required to satisfy these needs will be broadly the same from organisation to organisation although it will vary in emphasis and detail. The following list of data types provides an indication of the range of asset data a public sector organisation will need to manage and maintain:

- core data about each asset which generally does not change over time or only very infrequently, for instance, location, physical characteristics;
- additional data which changes and describes the state of the asset at a point in time, for instance, condition and backlog maintenance estimate;
- financial data;
- energy consumption and performance;
- data, financial and temporal, which describes the progress of strategic initiatives and programmes such as capital projects and disposals programmes;
- where the organisation controls a tenanted commercial asset base, a range of data covering lease and tenancy details, rental income and so on;
- data which will be used for planning and performance management purposes.

Organisations will already have operational systems and processes for maintaining, managing and reporting asset data. However, these may be of variable quality.

The first step is to define the required data and reporting requirements and develop a functional specification for the required systems. The resulting specification can then be used to analyse the organisation’s options and determine a strategy for sourcing suitable systems.

**Approach to defining data and reporting requirements**

There are many formal methodologies for analysing and specifying system and data requirements and some organisations will have selected and adopted a preferred option. The basic principles which should be followed are:

- review the asset management business processes;
- confirm and analyse the key performance indicators (KPIs); and
- conduct a reports analysis to determine reporting requirements.

Performing each of these steps enables the following:

- identification of base data that must be maintained;
- mapping of base data requirements to check that the data is actually collected, recorded and maintained in identified business processes;
- identification of system processing requirements and further reporting requirements;
- confirmation or determination of responsibilities for maintaining data.

**Prioritising requirements**

It is also useful at this stage to start to identify the critical asset management processes. The objective here is to identify priorities; often it will not be possible to introduce new data and systems in one go. It may be necessary to adopt a phased approach to implementation and the requirements of the critical processes will certainly be considered for the first phase.

Reviewing requirements and critical processes through this exercise enables a reality check to ensure that the most important and relevant data is identified.

It is also important to consider the flexibility which comes with the system to add new portfolios, change the reporting arrangements, alter the KPIs or increase the amount of key data required for each entry.

Property professionals may sometimes only think about property and property related outputs so a key priority is to ensure that the asset management and data system links back to the organisation’s purposes and the services which it delivers to customers. The whole system must be relevant and add value to the outputs of the organisation, not just to the property asset managers.

**Asset data structure and categorisation**

A key aspect of the data definition will be determining the property asset database structure. Even though different types of properties are different physically, it is useful to determine a standard way for describing all of the types of asset being managed. Often the highest level will be the ‘site’ and then subsequent levels will describe ‘buildings’, then perhaps ‘blocks’, then ‘floors’ and ‘rooms’. The level at which areas of ‘land’ within a site are defined will also need to be decided. In practice, software systems may force a particular structure anyway.

Secondly, it is important to decide at what level each type of additional data will be recorded, i.e. costs, condition, space utilisation, etc. Of course, some of these types of data will only apply to certain types of asset
and the categorisation discussed above should reflect these circumstances.

**Further system requirements**

Whilst an initial evaluation of systems might be made on the basis of the data and the reporting requirements identified, these are not the only factors that will influence the selection of appropriate technology. Data and reporting (and how data is processed in between) represent the functional requirements but there is a set of non-functional aspects about which the organisation needs to make decisions. These are just as important in shaping the most suitable technology solution, for example:

- the locations from which the data needs to be accessed by users;
- the types of users that need access to the data;
- the different methods of reporting envisaged;
- consideration of how users work;
- the way in which security and access controls need to be applied to the data;
- expectations of system performance and capacity.

### 11.3 OPTIONS FOR SYSTEMS

The functional and non-functional requirements must be documented and agreed to provide a baseline specification against which options for systems can be evaluated.

The challenge is to make sure that the asset management software chosen is properly integrated within the organisation’s existing environment, taking account of existing organisation-wide management information systems. In fact, the organisation may already have some form of property or asset management software that will be suitable to support the requirements – it may never have been implemented fully before.

The requirements definition will have identified a wide range of data that will need to be maintained and reported. Ideally, all of this data would reside in a single system and there would be no need for any links or interfaces. In reality, this is unlikely to be the case. Whilst the specialist asset management software packages are becoming more functional and may be able to hold a wide range of data, it is likely that there are a range of operational systems that will not be replaced by an asset management package. These may include:

- central finance;
- graphical information systems (GIS);
- computer aided design (CAD);
- land and property terrier;
- energy management;
- project control;
- human resources.

The overall objective is to ensure that data only needs to be entered once, that it is maintained consistently and as far as possible automatically, across the various systems where it is duplicated.

These systems will need to be linked together logically by a common asset coding system and structure. Of prime importance will be the allocation of a unique reference number for each property.

The options analysis will need to consider where automatic interfaces are required between the various systems. This will almost certainly involve bespoke system work, the complexity and cost of which is easy to underestimate.

Potentially, additional software will be required to provide the consolidated asset management reports that read data from the various systems, or some form of consolidation database or ‘data warehouse’ may be required that is updated regularly from operational feeder systems.

An overriding constraint may be the organisation’s central policy for applications.

### 11.4 BUSINESS CASE

It will be necessary to develop a business case in order to demonstrate why resources should be invested in the asset management data project.

Each organisation will have its own standard for content and presentation, but the business case should include the basic elements:

- the reasons why asset management systems are needed for data management and the implications of not pursuing the initiative;
- what the benefits are expected to be in measurable terms;
- a description of the scope, likely options and approaches with estimates of resources required, costs and benefits;
an outline of the timescale for the project and the risks involved.

The business case provides the mechanism for securing approval and senior fund-holder sponsorship and ensuring a common level of understanding to guide the project in terms of scope, prioritisation and expectations.

11.5 IMPLEMENTING THE SYSTEMS

Sponsorship and resources

The asset management system will not be successfully implemented unless the organisation is prepared to commit appropriate resources to the initiative, both during the implementation and thereafter.

Crucial to the project will be the buy-in of those senior stakeholders who will need to allocate resources from their teams and potentially make changes to their mode of operation over time in response to the business process definition work.

That means that the benefits and imperatives must be articulated clearly, and the resolve of the senior sponsor must be strong. If this is a project to revitalise an existing system, the work required may look daunting and very similar to starting again from scratch. However, good information systems will significantly ease the day-to-day burden of the asset management team.

The difference between success and failure in a systems project is the ability to concentrate on these business benefits from the start and remain focused on how the system will help the team improve its work.

Project management

Of course, the other crucial factor for a successful implementation is project management. Whatever approach and methodology is adopted the key elements that must be in place include:

- a dedicated project manager;
- a ‘project board’ to whom the project manager reports; and
- a sound project plan.

Other key implementation activities

Other key activities that need to be undertaken during implementation will include:

- user acceptance testing;
- user training and procedures – ensuring that users are trained ‘just in time’, probably using role-based training techniques and in a way that is relevant to the business processes and procedures;
- ongoing support planning;
- data migration.

11.6 MANAGING AND MAINTAINING THE DATA

Data governance and stewardship

Given such a wide range and potentially large volume of data, organisations will need to put in place an appropriate management structure to ensure that the data is properly defined, managed and maintained.

It is suggested that organisations consider implementing a formal data governance structure and data stewardship role to ensure that the necessary asset data is properly managed, particularly in those situations where responsibility for data is not centralised. In any case, it will be necessary to define rules and standards for ongoing data management and maintenance.

The data stewardship role is likely to be best placed within the centralised asset management function and have the authority to determine the data management standards and processes. Additionally, some organisations will find it beneficial to form a data stewardship corporate group.

Responsibilities for data

It is necessary, first, to define explicitly who will be responsible for maintaining each type of asset data and, secondly, which types of asset data must be collated centrally for strategic asset management purposes, performance measurement and other corporate and organisation-wide reporting.

The central asset management function should ideally maintain the asset register, but may delegate responsibility for maintaining specific core information about the asset to devolved teams as appropriate.

The data stewardship role will need to coordinate the collation of the data required centrally. Whilst this will of course be facilitated where a centralised system is in place and used by devolved teams, specific programmes of data collection will still need to be programmed, agreed and managed across the organisation.

Standards for data definition

As well as defining responsibilities for maintaining data and managing collation of necessary data centrally, the data itself should be described formally to provide a consistent basis for all parties to work from and a central reference for various data governance, management and system activities. This asset ‘data model’ documents the different data types that are identified through data requirements and business process analysis. It sets out how the data types are related to one another and the various rules and standards, including those that govern how the data will be recorded, qual-
ity criteria for the data and responsibilities for data maintenance.

It is recommended that the data model is documented in a ‘data dictionary’. This may be a simple word document or specific dictionary software for more sophisticated situations.

**Sustaining data quality**

The data stewardship role should also be concerned with maintaining the quality of data on an ongoing basis. There are two distinct strategies that can be employed here: quality can be built into the process or data can be monitored once it has been recorded.

The first strategy will involve, for example, ensuring those who are responsible for maintaining data do so according to the standards defined. The second strategy involves the development of processes for auditing the data, on some defined regular basis, and perhaps at the time of specific data collection programmes. The likelihood is that both will need to be used to ensure data quality.
Chapter 12

Asset Management – An International Discipline

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Chapter overview
This chapter contains a synopsis of public sector asset management practice in Australia (AUS), New Zealand (NZ) and the USA. It describes the context, the main features of the government structures from which the processes have developed and highlights the benefits which have accrued.

12.1 OVERVIEW

Property asset management has been a focus for government and local authority attention outside the UK for nearly 20 years. In these guidelines we have focused on other English-speaking nations whose governmental systems are similar to the UK and where significant progress has been made in property asset management recently; namely Australia, New Zealand and the USA.

In Australia and New Zealand radical public sector reform resulted in significant changes in accounting conventions, reporting practice and ownership flexibility, with a loosening of the hitherto tight controls over the way the public sector managed assets and capital. The reforms changed the control parameters for the cost of capital, ownership of property and management standards, resulting in a ‘market’ approach to the way public sector operations were managed.

Centralised departments charged with creating and managing all public sector property have largely disappeared in these countries and have been replaced by smaller, commercially focused procurement organisations managing capital, costs and organising the purchase or leasing of accommodation from private sectors providers.

The introduction of commercial-style performance measurement for public sector operations drove down a similar approach to asset management, focusing on:

- performance measurement and improvement;
- reduced public sector involvement and increased outsourcing of services based largely on cost reduction;
- separation of policy-making and service delivery;
- greater management flexibility;
- greater financial accountability but with fewer checks and balances.

Other drivers of asset management reform include international accounting reforms and the entry of private sector real estate professionals into public sector management roles.

In the USA, years of under-investment and poor management led the Administration to mandate departments to produce asset strategies, plans and regularly updated asset registers.

12.2 ASSET MANAGEMENT IN AUSTRALIA

The Australian approach to asset management has been driven more by the introduction of regulatory requirements and accounting standards, for example (IAM 2002):
The Australian national system is similar in many respects to that of the UK. The Australian National Audit Office (ANAO) performs a similar function to the NAO in the UK. The consensus from a number of their reports confirms that there has been a strong move towards improved asset management, including property asset management, at state level compared to central government, where property has been treated as a ‘free good’ rather than as a valuable business enabler.

The ANAO first examined asset management in the general government sector in 1995 (ANAO 1995), excluding the Department of Defence. The ANAO found significant scope for improvement in most organisations. They reported a lack of a strategic approach to asset management, noting that this required decisions about current and future asset holdings to be made as an integral part of the corporate planning processes. Six recommendations were made and the ANAO also published an Asset Management Handbook, including strategic asset management principles and approaches. By 1997–98 the ANAO was examining the extent to which its earlier recommendations had been implemented. The subsequent report noted that effective strategic asset management remained a challenge for many government organisations. It added that the gap had closed between what had been achieved and best practice during the intervening two years. Noting the linkages with corporate governance concerns, the ANAO report highlighted that many organisations had yet to:

- adopt a strategic approach to managing assets, involving integrating asset planning into corporate and resource planning frameworks;
- formalise and analyse systematically whole life cost impacts of major asset acquisition, operational use or disposal decisions;
- establish baseline cost and performance standards for key assets, including monitoring outcomes against these standards;
- implement financial management and asset management systems to facilitate the routine capture and reporting of performance information for management purposes;
- integrate disposal decisions into an overall planning framework to monitor the outcome of disposal processes.

The audit also confirmed the limited nature of central policy advice and guidance compared with that in a number of state governments. The federal government in 1996 embarked on a major reform of the commercial property portfolio, outsourcing in three major contracts all asset management functions. All owned property was subject to a 15% return on investment hurdle rates which resulted in virtually all assets failing this ownership test and the government entering a major divestment campaign, with the space being leased back as required. These major changes in property ownership occurred during a period of high vacancy in the commercial sector and resulted in property sales which did not recoup the government’s initial investment.

The ANAO has continued to audit central government departments and agencies in the asset management and property management areas. The Auditor General, in an Occasional Paper setting out his views on Commonwealth assets and property management, noted that a further ANAO audit conducted in 2003 had still found difficulties experienced by a number of agencies in relation to:

- poor documentation concerning asset acquisition and disposal;
- assets not being recorded on the asset register; and
- asset registers not being reconciled to financial systems.

The property divestment and outsourcing programme of the mid to late 1990s also passed the day-to-day management of commercial property assets back to the relevant departments away from a central coordinating asset management body. These changes have further reduced the government’s control over the strategic direction of the property they occupy and reduced the transparency of acquisitions.

The state governments within Australia have adopted a range of asset management methodologies over the few years ranging from major outsourcing and divestment similar to the federal government approach in the case of Victoria, through to a largely in-house ownership model followed by Queensland. Three examples of the range of state government approaches to asset management and property asset management are presented in the following sections.

**State government of New South Wales (NSW)**

The NSW state government’s reform programme for the management of assets and office accommodation, initiated in 1996, established in 1998 a high-level body – the Government Asset Management Committee (GAMC) – with a whole-of-government focus to drive its programme of reforms. The structure is shown in Figure 12.1.

The GAMC was established to ensure the effective management of investment in assets and office accommodation. The Committee is chaired by the Director-General of the NSW Premier’s Department and members include the Chief Executive Officers of The NSW Treasury, Department of Commerce, Attorney General’s Department, Roads and Traffic Authority, Department of Infrastructure, Planning and Natural Resources and Forests NSW. The Committee meets quarterly with terms of reference to provide advice to the Budget Sub-Committee of Cabinet on:

- the alignment of asset and office accommodation resources with government’s service delivery priorities;
- the appropriateness of agency asset management strategies;
strategic asset and accommodation issues involving more than one agency;
office accommodation strategies for metropolitan and regional areas;
major investment strategies – acquisition, major refurbishments, lease pre-commitments, leasehold, and asset and property disposals;
benchmarks and performance standards for asset and property portfolios.

Policy, budgetary frameworks and planning

As part of the policy reforms, a series of Total Asset Management (TAM) guideline papers were introduced to achieve better planning and management of NSW’s existing and newly acquired physical assets. In this instance, these are defined broadly as land, buildings, IT, infrastructure, collections, equipment or fleet owned or controlled by an agency resulting from past transactions or events, providing future economic benefits and having a definite business function or supporting the delivery of services. The TAM guidelines have recently been improved and aligned with the Results and Services Plan (RSP) and the budget process overall. Changes include:

- a restructured approach to the development of an asset strategy, with greater emphasis on risk management and asset performance measurement, and better alignment with the RSP;
- a TAM template, to assist in the preparation and assessment of the asset strategy and supporting TAM strategic plans;
- a new capital investment strategic plan guideline, to reflect the requirements of the government’s procurement policy reforms for major capital works projects;
- relocation of the TAM manual, which includes detailed guidelines together with supporting assessment and decision-making tools, to the NSW Treasury website (www.treasury.nsw.gov.au/tam/tam-guide.htm).

By 31 August each year, agencies are required to submit to NSW Treasury an integrated set of TAM plans which comprise an asset strategy driving four plans: a capital investment strategic plan, a maintenance strategic plan, an asset disposal strategic plan, and an office accommodation strategic plan. An agency’s RSP is considered incomplete unless it is supported by the asset strategy and all supporting plans which effectively link executive performance with asset-related budgets.

State government of Western Australia

In June 1994 the Premier of Western Australia introduced a strategic asset management framework for state government that recognised the need for a more rigorous approach to the management of Western
Australia’s portfolio of public assets. Subsequently, a Functional Review Taskforce was set up which recommended the further development and implementation of appropriate strategies to strengthen asset management policies and practices. This followed recommendations in a report published by PricewaterhouseCoopers in 2002 on the governance and management of Western Australian public sector assets. The principal Taskforce concerns and recommended actions were:

<table>
<thead>
<tr>
<th>Taskforce concerns</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Increase rigour in the capital investment process</td>
<td>✓ Improve the quality of information provided by agencies for decision making</td>
</tr>
<tr>
<td>✓ Give greater attention to maintaining existing assets</td>
<td>✓ Deliver the benefits that were initially projected</td>
</tr>
<tr>
<td>✓ Institute greater coordination of asset management across the state public sector</td>
<td>✓ Planned disposal of significant assets</td>
</tr>
</tbody>
</table>

The state government structure incorporating the strategic asset management framework is shown in Figure 12.2.

As shown above, the Department of Treasury and Finance retains regulatory responsibility, approving funding and working in collaboration with the Department of Housing and Works which provides the technical expertise. The framework promotes linkages between the agencies management of their asset portfolios with asset planning and corporate planning processes. It outlines the processes to manage assets through the lifecycle from planning to disposal, including an increased emphasis on maintaining existing assets. The results of this work are included in the new strategic asset management framework which comprises four key components: asset planning, capital investment, maintenance, and asset disposal.

The revised strategic asset management framework now includes several significant changes, notably:

- strategic asset plans are to be approved by the Minister and submitted to the Treasurer as part of the annual budget process;
- agencies will be requested to include information on maintenance expenditure within the strategic asset plan, consisting of a summary of the agency’s proposed maintenance expenditure over the Budget, and forward estimates, identifying the sources of funding, such as the split between recurrent and capital funding, and the prevailing level of deferred maintenance, as well as any strategies to manage deferred maintenance.

![Figure 12.2: State Government of Western Australia Strategic Asset Management Framework](image-url)
The objectives and outcomes of the process are as follows:

<table>
<thead>
<tr>
<th>Planning objectives</th>
<th>Desired outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ Strategic planning for management of assets</td>
<td>✔ Management of property asset portfolios as a corporate resource</td>
</tr>
<tr>
<td>✔ Ensure that facilities meet current and future requirements</td>
<td>✔ Accountability for strategic management of all real estate assets</td>
</tr>
<tr>
<td>✔ Benchmarking and performance management to competency and consistency standards</td>
<td>✔ Rationalisation supported by specific business case reviews</td>
</tr>
<tr>
<td>✔ Optimise each asset lifecycle</td>
<td>✔ Divestment of high-cost and under-utilised assets</td>
</tr>
<tr>
<td>✔ Identify surplus assets</td>
<td>✔ Achieving efficiencies through collocation of like functions</td>
</tr>
<tr>
<td>✔ Matching space needs with staff requirements</td>
<td>✔ Improvement of the asset data and management information systems and transparency</td>
</tr>
<tr>
<td>✔ Minimising 'all in' costs of owning, leasing, occupying and using space</td>
<td>✔ Maximising flexibility in space use and tenure</td>
</tr>
<tr>
<td>✔ Conforming real estate strategies</td>
<td>✔ Key reporting and tax requirements</td>
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</table>

The Government Office Accommodation Working Group (GOAWG) exists to ensure a whole of government perspective in managing the office accommodation portfolio. The GOAWG comprises senior representatives from the Department of Treasury and Finance, Department of the Premier and Cabinet plus Department of Housing and Works (DHW). The GOAWG evaluates office space proposals (new leases, refurbishments, etc.) exceeding $1m, referred to it by DHW and GOAWG makes recommendations to the Minister for Works who signs off on commitments.

**State government of Queensland**

Asset management in Queensland is centralised under the Department of Public Works and Housing with divisions of Queensland Property Management (QPM), QBuild and Project Services. Each of these divisions provides services to government departments on a fee for service basis. The structure provides for administrative separation of the construction and maintenance aspects of property provision from the strategic review processes and the ongoing maintenance and leasing management functions. This is illustrated in Figure 12.3.

Commercial office procurement is governed by a number of guidance documents and administrative procedures. The office accommodation management framework (OAMF) sets the basis on which property procurement is administered. It outlines the authority, scope, principles and working environment under which it operates and establishes clear roles and responsibilities for the department and other agencies utilising its services.

The OAMF is guided by the broader objectives of government and the strategic direction developed for the department. The wider governance issues include the Treasury’s State Purchasing Policy. So, in implementing property procurement objectives, the policy provides clear guidance on the process to ensure state objectives are achieved. The Treasury also provides agencies with a framework for developing strategic asset plans within a ‘sustainable total resource management framework.’ The guidance seeks to encourage strategic management of outcomes through the alignment of assets, resources and agency services to meet government priorities.

Queensland differs significantly from other states in that it recognises the need for a balanced portfolio of owned and leased property and seeks to maintain an approximately equally balanced portfolio of the two. There is also recognition that government has the ability to manage in-house the processes of property management to achieve the best fit with a whole of government approach to the provision of supporting property infrastructure.

The strategic direction of property asset provision and management is set by the Government Office Accommodation Committee (GOAC) which has responsibility for setting the strategic direction and approach to ownership and management of government office accommodation. It also reviews all acquisitions, both freehold and leasehold, and disposals of buildings greater than 5,000m². The Committee is the final arbiter in any property-related dispute between an agency and the Department of Public Works (DOPW).

At all levels of asset provision a regime of internal contracting and fee for service exists to promote performance evaluation and to prevent waste. All agencies pay a market based rent to Building Services for the accommodation they occupy. In turn, the Building Division engages and pays QBuild to undertake maintenance on the owned estate through contracts at market-based rates for the services undertaken. Thus, a commercialised property system exists, with a high-level strategic management group taking government priorities and interpreting them, in terms of asset outcomes, via GOAC, which is documented and disseminated both within DOPW and to other agencies. At the same time, agencies will develop their own strategic
planning outcomes, based on government priorities, and, through representation on GOAC, communicate their strategic direction and needs for supporting property resources.

12.3 ASSET MANAGEMENT IN NEW ZEALAND

The New Zealand public sector is structured on the principle that each public entity is held individually responsible for delivery of services as required by government. Each department has autonomy and there is no central body managing assets. The structure is illustrated in Figure 12.4.

Most public sector organisations report performance on an accrual accounting basis in a similar fashion to private corporations. A capital charge is applied to capital utilised in an agency’s operations, effectively creating a proxy for borrowing capital from Treasury. This has changed the asset mix over time as agencies have been encouraged to reduce capital assets.

The most comprehensive work in asset management has been undertaken by local authorities. Legislation – Local Government Act 2002 – introduced an expectation that all assets held by a local authority would be identified, managed well and would be considered in every part of the planning process for all activities of the authority. This required local authorities to generate clear asset management plans. These are generally developed from the bottom-up, commencing with an asset register entry for each asset and working on from there.

The NAMS Group, established by the association of Local Government Engineers, has developed a range of manuals that are now widely in use throughout the local authorities.

The NAMS manuals and guidelines are distributed worldwide and include the following:

- The International Infrastructure Management Manual (2006) is positioned as the Group’s core document in asset management theory and practice. The manual is prescriptive in style, and sets out clear requirements to achieve a practical and effective asset management function. Although it covers a wide range of asset types, it focuses on infrastructure assets.
- Optimised Decision Making Guidelines provide economic analysis for decision making on the maintenance, renewal and replacement of infrastructure assets and includes over 30 actual case studies.
- Depreciation and Valuation Guidelines are a practical guide into the assessment of value, economic life and depreciation methods for infrastructure assets.
- Developing levels of service and performance measures guidelines 2007 demonstrate how to establish levels of service and performance measurement for assets based on client requirements.

12.4 ASSET MANAGEMENT IN THE USA

The US Government has 3.3 billion square feet of office space and 655 million acres of land. The General
Services Agency (GSA) controls some 11.7% of the real property space inventory. In January 2003 the Government Accountability Office (GAO) identified real estate and its management as a high risk federal programme due to under investment. In that same year the GAO testified that federal property was deteriorating badly and decision makers lacked reliable data.

As a result, in February 2004, Executive Order (EO) 13327 was signed by President Bush adding improved real property asset management to the President’s management agenda. The EO defined real property as any real property owned, leased or otherwise managed by the federal government domestically and internationally and includes improvements to federal lands.

The EO established the Federal Real Property Council (FRPC), under the administration of the Office of Management and Budget (OMB), to serve as a centre of best practice and assist the efforts of Senior Real Property Officers (SRPOs), a role described further below. The structure of the FRPC is set out in Figure 12.5.

The Council comprises the SRPOs, the Controller, and, Deputy Director of Office of Management and Budget (as Chair), the Administrator of the GSA and any other officials or employees deemed necessary by the Chair. The Council is seen as a mechanism to assist SRPOs develop and implement agency property asset management plans. The Council, in conjunction with the Administrator of the GSA, works out appropriate performance measures for real property. As part of its remit, the FRPC has also produced a template for property asset management plans to be rolled out across agencies. These plans are reviewed by the OMB as part of the normal budgetary review process and in achieving government-wide property management priorities.

The SRPO is required to submit an initial asset management plan to the OMB which:

- identifies and categorises all real property owned, leased or managed by the agency within and outside the USA;
- prioritises actions to be taken to improve the operational and financial management of the agency’s real estate;
- makes lifecycle cost estimates of these actions;
- identifies authorities also required to address the priorities established;
- identifies and pursues goals, with appropriate deadlines, consistent with the asset management plans, measuring progress. Incorporates planning and management requirements established under earlier EOs for heritage property and for environmental management;
- annually lists and describes property assets under the control of the agency.

Every agency must determine what it owns, what it needs and what it costs to manage its real properties. Surplus properties are to be sold.

The role of the GSA has been expanded to include establishing and maintaining a government-wide real property inventory database and reporting performance measures.

---

**Figure 12.4: New Zealand Government: Where Asset Management Fits**
So in the USA, under-investment triggered the development of a mandatory property asset management process. A national body oversees the development and dissemination of best practice and a series of KPIs have been established for measuring the performance of property assets over time.

12.5 SUMMARY

Whilst the US and Australian models of property asset management have developed from different drivers, there are a number of similarities and differences that could inform a UK model of excellence:

- The US and Australian 'models' both recognise the need for a central coordination committee to develop and disseminate best practice in property asset management; for example, the FRPC in the US and the GAMC in the NSW state government.
- The US approach has been mandated by Presidential Executive Order.
- The US and Australian models link the property asset management planning process into budgetary cycles.
- Both countries have produced best practice guidance centrally; state governments in Australia have also developed their own approach and a review of three of these (New South Wales, Western Australia and Queensland) indicates close similarities and consistency of approaches and some marked differences.
- The US model has set out the requirement that a named individual at strategic level in all major agencies should be held responsible for property asset management.
- The ANAO has conducted a number of formal audits of the embedding of asset management and property asset management in central government departments and agencies.

12.6 APPENDICES

Appendix 1 sets out in tabular format comparisons of the asset management structures in Australia, New Zealand and the USA. Appendix 2 shows, again in tabular form, comparisons between asset management arrangements for the states of Western Australia, Queensland and New South Wales.
### Appendix 1

#### Asset management policy comparisons

<table>
<thead>
<tr>
<th>Australia</th>
<th>New Zealand</th>
<th>USA</th>
</tr>
</thead>
</table>
| **Regulatory framework** | Regulation/accounting requirements (e.g. IAM 2002):  
- AAS27 (local government)  
- AAS29 (government departments)  
- AA31 (government) | Centralised control to legislation  
Accounting reform and asset management reform | Presidential Order:  
Executive Order (EO) 13327  
(Improved Asset Management) |
| **Governance** | Australian National Audit Office (federal government)  
Public Works Committee in respect of major works | Different organisations:  
- LINZ  
- The Treasury  
- NZ Accounting Standards Review Board  
- NZ Property Institute  
- NZ Institute of Accountants  
- Institute of Professional Engineers  
- Building Industry Authority  
- Territorial Local Authorities | Government Accountability Office |
| **Extent of devolution** | State level government responsibility and regulation | The above organisations set the regulations and standards, whilst many departments, Crown Entities and Crown-owned Enterprises, State-owned Enterprises contract out the property management functions |
| **Publications** | *Asset Management Handbook* | No central government guidance, although some research being undertaken by the Treasury. The National Asset Management (NAMs) group publish manuals and guidelines for best practice | Property asset management plan.  
General Services Administration Department issued material on procedures and progress |
<table>
<thead>
<tr>
<th>Australia</th>
<th>New Zealand</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key features</td>
<td>Autonomy for state entities allows innovation and advancement.</td>
<td>• High risk federal programme resulting from years of under-investment</td>
</tr>
<tr>
<td>Asset Management should be viewed as a business enabler. Agencies:</td>
<td>A capital charge regime focuses entities to reduce capital – virtually all state departmental offices are leased from private sector. Could be seen as a world leader – for example road network management Transit NZ.</td>
<td>• Federal property deteriorating badly</td>
</tr>
<tr>
<td>• lack strategic approach</td>
<td>• Roles and responsibilities are clear</td>
<td>• Decision makers lack reliable data</td>
</tr>
<tr>
<td>• are required to use accrual accounting and capital charging</td>
<td>• Policy, regulatory functions and operations are separated</td>
<td></td>
</tr>
<tr>
<td>• lack a central register of property assets</td>
<td>• Asset management is decentralised and flexible</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Private sector management practices are widely used</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• National wealth accumulated in Crown property is properly recognised</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Fiscal administration and accounting encourage accountability and effectiveness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Accrual accounting is used by all government agencies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Disaggregation of portfolios has led to a reduction in focus on standards of asset management</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 2

#### Asset management comparisons – Australian states

<table>
<thead>
<tr>
<th></th>
<th>New South Wales</th>
<th>Queensland</th>
<th>Western Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsible ministry</strong></td>
<td>Commerce and Fair Trade</td>
<td>Public Works, Housing and Racing</td>
<td>Housing and Works, Treasury and Finance</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>NSW Treasury and Office of the State Property Authority (SPA) and Government Asset Management Committee (GAMC), a functional department within the SPA</td>
<td>Auditor General</td>
<td>Auditor General (WA)</td>
</tr>
<tr>
<td><strong>Prescribed reporting</strong></td>
<td>Annual strategic asset management plans from each agency to GAMC</td>
<td>Annual strategic asset plans for the portfolio and individual assets</td>
<td>Annual strategic asset plans (from each agency to Ministers)</td>
</tr>
<tr>
<td><strong>Key components</strong></td>
<td>- Acquisitions, disposals and developments - Strategic asset management - Capital charging regime</td>
<td>- Asset planning - Capital investment - Maintenance - Asset disposal</td>
<td>- Asset planning - Capital investment - Maintenance - Asset disposal</td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
<td>International best practice and standards</td>
<td>Whole of government approach to asset management</td>
<td>Rigorous approach to public asset management</td>
</tr>
<tr>
<td><strong>Implementation authority</strong></td>
<td>SPA - GAMC as part of SPA</td>
<td>Department of Public Works</td>
<td>Functional Review Taskforce</td>
</tr>
<tr>
<td><strong>Approach</strong></td>
<td>- Treasury strategy and uniformity implemented through the SPA - SPA powers to implement Total Asset Management policy</td>
<td>- Clear asset management policy, centralised management and reporting of asset strategies - Whole lifecycle approach to procurement - Market performance benchmarking</td>
<td>- Stronger policy and practices - linkages between agencies - Connect asset planning with corporate planning processes - Asset lifecycle programme – disposal plan</td>
</tr>
<tr>
<td><strong>Portfolio size (approx)</strong></td>
<td>1,081,000m²</td>
<td>844,000m²</td>
<td>477,000m²</td>
</tr>
<tr>
<td><strong>Percentage leasehold</strong></td>
<td>72.5%</td>
<td>47%</td>
<td>39%</td>
</tr>
</tbody>
</table>
Overview
This section lists publications about asset management and linked subjects, which have been brought to the attention of the editors. As more information is published, the RICS website will carry details and access information.

Sources of Information about Asset Management and Associated Topics

Achieving Excellence in Construction; Better Asset Management; Improving Property Asset Management in the Central Civil Government Estate; Management of Risk; OGC Gateway Review for Programmes & Projects; Programme and Project Management Resources; Public Sector Construction Clients’ Forum, Office of Government Commerce, publications available free online at www.ogc.gov.uk

Acting on Facts: Using Performance Measurement to Improve Local Authority Services; Improving School Buildings; PFI in Schools; Worth the Risk, Audit Commission publications available free online at www.audit-commission.gov.uk


Asset strategic plan guidelines, Queensland Government, Brisbane, 2003

Bourne, M. and Bourne, P., Change Management in a Week, Chartered Management Institute, Hodder and Stoughton, 2002

BRE Environmental Assessment Method, available at www.breeam.org

Building Better Services, IPF/FPS(Scotland)/CIPFA joint publication, 2003

Centres of Excellence for Programme & Project Management – Information Pack, OGC, 2004


Competence and Competency Frameworks, Chartered Institute of Personnel and Development, available at www.cipd.co.uk/subjects/perfmangmt/competnces


Edwards, B., Green Buildings Pay, Spons, first published in 1998 and subsequently revised

Financial Incentives for Sustainable Buildings – 10 years on, Drivers Jonas, 2007

Framework for Highway Asset Management in the UK, County Surveyors Society, 2004

Getting Value for Money from Construction Projects through Design How Auditors Can Help; Good practice in PFI property management deals; Good practice in selling publicly owned assets; Good practice in the application of risk management — self-assessment questions for departments; Innovation in PFI Financing: The Treasury Building Project; Joining Up to Improve Public Services; Making joint ventures work; Modernising Construction; Purchasing Professional Services; Ten key questions departments need to consider in managing the risk of policies not delivering what is intended; Using call centres to deliver public services, National Audit Office publications, available free online at www.nao.org.uk/


Guidance for Improved Asset Management, Federal Real Property Council, FRPC, 2004


Highway Asset Management: Worldwide Experience and Practice, County Surveyors Society, 2004


Local Government Asset Management Guidelines, RICS/ODPM, 2005


Office accommodation management framework, Brisbane, Queensland, Department of Public Works, 2003


*PAS 55-1 Asset Management Part 1 and 2*, The Institute of Asset Management, 2004

Project Portfolio Management Framework, DCLG/Cambridgeshire County Council


Staff Development and Organisational Capacity – Non-profit Good Practice Guide, Johnson Center, Grand Valley State University, USA

State purchasing policy, Queensland Government, Brisbane, 2003

Strategic Asset Management Framework for Western Australia, Department of Treasury and Finance, Government of Western Australia, August 2005

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Survey of Property trends: Green Issue, GVA Grimley, 2006

The Business Excellence Model, EFQM Excellence Models

Total Asset Management, New South Wales Treasury, September 2004


Warren, C. M. J., Public sector property strategies within Australia, 2002 (paper presented to CIB W70 Facilities Management and Asset Maintenance Applying and Extending the Global Knowledge Base, Glasgow)


ADDITIONAL WEB REFERENCES FOR AUSTRALIA AND NEW ZEALAND

Australia
New South Wales: Total Asset Management 2000

Queensland

Victoria

Western Australia

New Zealand
National Asset Management Steering (NAMS) Group
www.nams.org.nz/Home

The following documents can be purchased from the NAMS website:

Developing levels of service and performance measures guidelines 2007

International Infrastructure Management Manual 2006

Property and Depreciation and Valuation Guidelines
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The efficient delivery of services is repeatedly emphasised across the public sector. Rarely do performance reports focus on the key fact that public services are invariably delivered directly or indirectly from buildings. The property portfolio of public organisations has to be right for people – for staff and customers – and for the processes for delivering products and services. The property must be in the right place and must be affordable – the price must be right.

In his 2004 report ‘Towards Better Management of Public Sector Assets’ Sir Michael Lyons stressed the importance of property assets, their place within the business planning of public organisations and the gain to be achieved by developing strategic asset management plans which align with business strategies.

These RICS Public Sector Asset Management Guidelines have been developed by experts in the variety of disciplines which are required to produce effective asset management plans. They will assist all those involved in the process of asset management and planning whether property practitioners or operational managers.

RICS (Royal Institution of Chartered Surveyors) is the leading organisation of its kind in the world for professionals in property, land, construction and related environmental issues. As part of our role we help to set, maintain and regulate standards – as well as providing impartial advice to Governments and policymakers. RICS has 140 000 members who operate out of 146 countries, supported by an extensive network of regional offices located in every continent around the world.

To ensure that our members are able to provide the quality of advice and level of integrity required by the market, RICS qualifications are only awarded to individuals who meet the most rigorous requirements for both education and experience and who are prepared to maintain high standards in the public interest. With this in mind it’s perhaps not surprising that the letters RICS represent the mark of property professionalism worldwide.