

ADVANCED ASSET MANAGEMENT – THE NZ EXPERIENCE

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Abstract

The NAMS Group has been developing asset management best practice manuals and delivering training in New Zealand for over ten years. The activities of the NAMS Group are well supported by the wider asset management industry and have facilitated a rapid advancement in asset management, particularly in the Local Government sector. In addition, the New Zealand Local Government Act (2002) requires Councils to define and measure levels of service, and develop ten year plans which demonstrate how the agreed levels of service will be delivered to the community. In effect the Act supports the development of asset management plans.

Asset Management practice in New Zealand is still evolving. The majority of Local Authorities in New Zealand practice asset management at a level that meets the core asset management criteria, as defined in IIMM (2006), and there are also many examples of New Zealand Local Authorities practicing asset management to an advanced level. Interestingly those who lead the field can not be defined by size and level of resourcing, although these things do help.

This paper explores why some organisations have advanced ahead of the field in asset management and what has caused some to fall behind. Based on the experience in New Zealand, the characteristics of a high functioning asset management organisation are defined and discussed. Finally guidance is given on the organisational issues that need to be addressed in order for asset management to move beyond compliance to a way of business on an ongoing basis.

Key Words: asset management, New Zealand, best practice, organisation performance, IIMM

Introduction

Unlike many other countries in the world, New Zealand has a very strong framework in place to support the advancement of asset management practice in the Public sector. This framework consists of industry best practice guidelines and training, legislation, audit and review processes and industry qualifications.

The framework has led to advancement of asset management practice, primarily in the local government sector but increasingly in the central government sector as well. Undoubtedly the framework has led to better long term management of public assets over time, as reported by the Office of the Auditor General (OAG). Interestingly however this advancement in asset management practice has not occurred at the same rate as the advancement of the framework and there is considerable variation in the level of performance both between different public sector organisations, and within organisations with respect to different asset types.

The presence of a supporting asset management framework in itself has not proven to be a sufficient driver for asset management to move to an advanced level within all in all public sector organisations in New Zealand.

New Zealand's Asset Management Framework

In 1995 the National Asset Management Steering (NAMS) Group was established as a response to the increasing industry desire to embrace a more professional long-term approach by adopting more efficient and sustainable practices for the management of public infrastructure. The Group was established with representation from INGENIUM (Association of Local Government Engineers NZ), Society of Local Government Managers, Local Government New Zealand, Office of the Auditor General, NZ Water and Wastes Association and NZ Recreation Association.

The NAMS Group has been successful in developing and promoting infrastructure

asset management practices, policies and systems in New Zealand and in achieving its objectives, it has relied upon the continued support and cooperation of the core member organisations. The NAMS Group has produced a series of best practice publications including the International Infrastructure Management Manual, (IIMM), recognised internationally as an authoritative text on asset management principles.

Asset management advancement has also been supported in New Zealand by legislation. In 1996 changes to local government legislation were enacted, commonly known as the Local Government Amendment Act (No. 3) 1996. The main objective of the Act was to “*to promote prudent, effective and efficient financial management by local authorities*”. This legislation required councils to prepare and adopt long-term plans (10-year plus), taking account of loss in service potential, asset creation/deletion and having regard to the costs and benefits of different options. Although not specifically required by legislation, the preparation of asset management plans became an integral part of the development of the long-term plans.

In 2002 a new Local Government Act was enacted. Under the provisions of this Act, all Local Authorities are required to lead their community in a consultative process to identify the outcomes that the community desires- such as a safe and supportive community, a reliable transportation network etc. Councils develop a Long Term Council Community Plan (LTCCP), within which the Council must detail how it intends to contribute towards achieving these community outcomes. The LTCCP is a 10 year plan, which details the activities of Council, how each activity contributes to the community outcomes, the intended levels of service for each activity and associated costs over the 10 year period, any identified significant negative effects the activity of Council may have on the financial, social, environmental or cultural well being of the community, any intended changes in levels of service and how performance will be measured.

Once adopted, the Councils are required to report on the achievement of performance targets within the LTCCP. Amendments to the LTCCP can only be made through a

special consultative process, removing the ability for Councillors to make significant changes to the direction of the organisation or to exit services without first involving their community in the decision making process.

The New Zealand Treasury has also recently put in place measures to support improved management of government owned assets. The Capital Asset Management (CAM) framework based on IIMM and the RICS Public Sector Asset Management Guidelines was developed. The framework sets core, moderate and advanced asset management standards and has two associated reporting parts: Long Term Capital Asset Planning (LTCP) and Asset Performance Monitoring (ARP).

The New Zealand Government has also recently created a National Infrastructure Unit, further demonstrating their commitment to better management of public infrastructure. The unit has been set up within the Treasury, and has an associated external Governance Board.

To further support the development and recognition of asset management practitioners, NAMS in conjunction with InfraTrain, an industry based training organisation, developed the National Diploma in Infrastructure Asset Management. The learning for the Diploma is based largely on IIMM and the associated asset management processes. As an industry based qualification, the diploma is awarded on presentation of a portfolio of evidence collected as part of day to day work. The Diploma is registered as a Level 6 qualification on the National Qualifications Framework, which is the equivalent of a University Diploma.

With the activities of the NAMS Group and Treasury, the Local Government Act 2002, the abundance of best practice guidance and training, it can be said that there is a comprehensive framework to support asset management practice in New Zealand.

Asset Management Practice in New Zealand

New Zealand is a relatively small country, both in terms of its land size, and the number of local authorities and Government agencies. There are many channels available for the rapid transfer of industry knowledge. The country benefits from only

having two levels of Government, in that the asset management framework in place largely covers all publically owned assets in New Zealand.

Asset Management practice in New Zealand has been evolving since the first asset management plans were developed in the late 1990s. All Local Authorities practice asset management to some extent and a number of central government agencies, particularly capital intensive agencies, have recently developed their first asset management plans. The majority of Local Authorities in New Zealand practice asset management at a level that meets the core asset management criteria, as defined in IIMM (2006), while most central government agency plans are core in some aspects only. The OAG are involved in auditing public sector organisations and under the LGA 2002, they pass comment on the soundness of the data, asset management processes and the performance management framework- including descriptions of levels of service.

From the 2004, 2006 and 2009 LTCCP audits, it has been noted that there has been an overall improvement in the quality of the plans including the performance management frameworks and the underlying asset management plans. There are an ever increasing number of Local Authorities practicing asset management to an advanced level, however this also hides the fact that others have not improved much at all over time.

Those authorities that have advanced asset management practices do not practice at this level for all asset types. Both OAG and NAMS have noted that there is considerable variation within organisations with respect to asset management, with some organisations not having plans for some assets and very advanced plans for one or two.

The lower performing organisations have often not dedicated ongoing resources to keeping asset data up to date and complete. There are also a number of these organisations that have not adequately described levels of service and have not made linkages between the key issues for each asset group and how it intends to address these issues through asset management. Finally there are general weaknesses in many plans in the areas of

demand forecasting and management, levels of service measurement and risk management.

In general land transportation is the most advanced asset area in New Zealand, followed by the three waters; with parks and property some way behind. Interestingly those Councils who lead the field can not be defined by the size of their organisation, with some small Councils being some way ahead of many of the larger ones.

This poses the question, with a strong framework in place and a number of Councils in New Zealand demonstrating asset management best practice, what has caused some organisations to fall behind? The answer lies in the characteristics of the organisation itself.

Organisational Performance

Well performing organisations are typified by a commitment by the CEO and senior management Team to asset management, based on an understanding of the value of asset management to the whole organisation. Within these organisations asset management is a regular management team topic and asset management plans are linked to both the strategic goals of the organisation and the day to day operations. Asset management is seen as a sound business practice and not just an audit requirement. Asset managers in these organisations do not work in isolation from the rest of the organisation and organisational trade-offs across asset groups are well understood and made. Good asset management practice is shared across all asset types and asset managers are involved in cross-asset group projects.

Lessons Learned in NZ

The New Zealand experience is that there needs to be a change in the organisation for asset management to advance. This goes well beyond changes to business systems and processes to changes in the culture of the organisation itself. This is the one thing which typifies well performing asset management organisations, above all other factors.

First and foremost the organisation needs to be committed to asset management for asset management to advance. Those organisations where the asset management

practice is being driven by the engineers do not experience as much success in advancing asset management practice as those where asset management is driven from the CEO and senior management team. The difference is that senior management see the value of asset management to the business of the organisation and not just to the assets. They understand the benefit of improved long term planning on the organisation's decision making processes at all levels. With this understanding they are able to drive asset management as a business as usual process.

Secondly, a coordinated approach is needed for the development of asset management practice. Those organisations who have used sound project management principles have achieved the greatest success. This approach is detailed in IIMM 2006 and includes

- The identification of corporate need- agreeing on the aims and objectives of the project
- Gaining commitment to AM- Providing resources within the business plan and providing a management team member as the project sponsor
- Awareness raising- political, management team and whole of organisation level
- Ownership by involving all key players in team -finance, IT, Strategy, communications, asset managers
- Regular reporting to management against objectives and to the whole of organisation on progress

Finally, it is now recognised that asset management requires a "horses for courses" approach. Some asset groups are inherently more complex than others and a greater level of organisational risk is linked to these assets. The approach of one asset management plan template for all asset groups should not be confused with one level of asset management practice for all asset types. Some of the better performing organisations have a corporate asset management policy which defines the appropriate standard of asset management practice for each asset type and then allocates resources based on attainment of that standard. This approach ensures that the greatest benefits are gained organisation wide for the resources available. Many

organisations for example will only ever achieve moderate standard for assets such as parks and property, whereas an advanced standard is more appropriate for transportation assets.

To support the advancement in New Zealand, of an asset management culture, The NAMS Group commissioned the development of a training package in asset management specifically for elected representatives. The fundamental concept of the package was stewardship - Elected representatives are stewards or guardians of expensive, complex, infrastructure networks that underpin their communities both now and for a long time into the future.

With SOLGM NAMS has produced guides and delivered training on the management of Local Government including where asset management fits in the whole of Local Government business. NAMS also provides basic asset management training to non-asset management staff.

In recognition that senior management buy-in has been a stumbling block in some Local Authorities, NAMS was recently commissioned by the Treasury to develop and facilitate training for senior Central Government managers on the value of asset management to their organisation and to provide management tools to facilitate asset management uptake. By ensuring this senior management buy-in early on, it is hoped that asset management will develop more evenly across Central Government than it did in the Local Government sector.

Conclusion

There is no doubt that asset management practice in New Zealand has developed rapidly since the formation of the NAMS Group in 1995. There are many organisations in New Zealand that demonstrate industry best practice. Not all organisations have developed at the same rate however despite the ready accessibility of the supporting national framework.

The New Zealand experience has shown that best practice material, training and legislation will not in itself lead to advanced asset management practice. Organisations will only advance if the value of asset management is understood by the organisation and a commitment is made, at all levels of the organisation to asset

management becoming a business as usual process, fully integrated with the rest of the business. In a nutshell, advancing asset management practice takes a change in organisational culture

References

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