

DEVELOPING A STRATEGIC ASSET MANAGEMENT FRAMEWORK – KEY SUCCESS FACTORS AND LESSONS LEARNT

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Abstract

Asset management is one of three core functions of local government today, along with service delivery and governance. Infrastructure asset maintenance is also recognised as the greatest threat to Western Australian local government sustainability and the development of best practice asset management principles and practices is key to an organisation's survival.

The City of Joondalup has developed a Strategic Asset Management Framework comprising the 'best of breed' elements operating in both State and Local Governments today. A number of key success factors identified prior to its implementation were crucial to the success of this framework. The most important was that Joondalup has separated strategic asset management from the service delivery roles in order to provide a clear accountability and focus rather than centralising asset management amongst the day-to-day operational matters as many authorities do. This has assisted in ensuring a corporate approach by achieving executive support for the process, followed by the participation of staff right across the organisation.

This paper discusses how Joondalup has developed its strategic asset management framework to date, the key success factors, that has enabled its progress and the lessons learnt so far.

Key Words

City of Joondalup

Asset Management

Strategic Asset Management Framework

Asset Management Plan

Property Management Framework

Building Asset Management

Introduction

The City of Joondalup was established in 1998 after the split of the then City of Wanneroo into the Cities of Wanneroo and Joondalup. Joondalup inherited the Administration building and most of the aging urban areas whilst Wanneroo is predominantly a rural council experiencing significant urban growth. Although the City of

Joondalup, as an organisation, is relatively new, it is inaccurate to assume the same of its infrastructure.

The City of Joondalup is now the second largest local government authority in Western Australia and is the second CBD of the Perth Metropolitan area. With over \$1 billion worth of infrastructure and almost 500 employees, a co-ordinated and organisational approach

to asset management was imperative to ensure sustainability and the financial capability to undertake some ambitious projects in the near future.

The City's approach to developing a strategic asset management framework was based on the engagement of all key players in asset management across the organisation and the definition of respective roles and responsibilities.

Whilst implementation has been challenging, as such change management processes generally are, some key contributors to success can be identified to assist others in their future or present journeys. We have also learnt much along the way and are happy to share these learnings with fellow asset management practitioners

Getting Ready

The City first developed a comprehensive Asset Management Plan in 2000. This plan identified:

- the classes and value of assets owned
- the asset management roles and responsibilities across the organisation
- the asset management systems then in use
- stakeholders in the City's infrastructure
- discussion of levels of service and performance measures
- risk management
- a broad 5 year strategy for each asset class
- future directions for asset management
- custodianship of some \$621 million worth of infrastructure

An Asset Management Plan Implementation Report followed in June 2001 and was developed to assist in the further development of asset management practices in the City. The focus was on the actions under the control of the Infrastructure Services Directorate and sets out an action plan to develop best practice asset management. It does not however, identify a project manager.

Lesson 1: Something that is considered everybody's responsibility becomes nobody's responsibility.

In 2003, the City enlisted Estill & Associates to undertake a Strategic Asset Management Review to assist in the development and implementation of Strategic Asset Management practices across the organisation. This report sought to review previous work undertaken by the City.

The Strategic Asset Management Review acknowledged that Strategic Asset Management requires a special set of competencies and that in order to succeed, it requires the following environment:

- The commitment of corporate executive and senior management within the City
- Clarity of roles in a way that is agreed upon, understood and practised within the organisation
- A strategic, integrated planning and decision making framework

Finally it recommended:

- That the strategic asset management role be separated from the operational and service delivery roles to provide clear accountability and focus for strategic functions.
- The strategic asset (management) plan be prepared in a participative environment and involve representation from all directorates or business units.

This, however, took some years to implement.

Strategic Asset Management is defined as:

- Policies
- Strategies
- Risk management
- Levels of service
- Community consultation
- Performance measurement
- Financial and condition modelling
- Optimised decision making

While Operational Asset Management is:

- Data Collection
- Maintenance
- Facility Management

Ready to Go

In 2006, under the guidance of a new CEO, the City relaunched its asset management approach and realigned an existing business unit to establish the Asset Management Business Unit. Asset Management initially had a primary focus on strategic asset management along with property management and fleet management. The City also joined WAAMI (W.A.'s AM improvement program) which proved vital in bringing the organisation together to discuss asset management.

Lesson 2: Participate in an Asset Management Improvement Program to get the show on the road.

An Asset Management Working Group (AMWG) was established with membership from across the organisation including Managers representing Infrastructure, Finance, Libraries and Leisure.

An Asset Management Policy was endorsed by Council in early 2007 and can be found on the City's Web Site www.joondalup.wa.gov.au.

In the following months, the AMWG went on to develop an Asset Management Strategy and numerous operational procedures including:

- Works Category Definitions
- Project Initiation Process
- Capital Works Appraisal Process

The AMWG has formed, stormed, normed and are now performing. This group enables the asset management conversation to continue.

Lesson 3: Get yourself a cross-functional multi-discipline team to implement asset management across your organisation.

On the Way

Starting as the Wanneroo Road Board in 1903, the City, like many other local authorities, was looking after its roads pretty well. However, this was not the case for buildings. We were unsure as to the true extent of our ownership and the first major operational project was the development of a building inventory.

It quickly became evident that the City had an extensive portfolio numbering over 140. 26% of these buildings were subject to exclusive use which led us down another path, a Property Management Framework.

This has been described as one of the many 'Holy Grails' of local government. A transparent framework to determine the leasing conditions (including rent) for City owned property. When one considers that most of this property is used by Community and Sporting Groups, the issues become apparent. These include getting the balance between rental returns and rental subsidies right and ensuring these groups take responsibility for the use of significant City assets.

Once we had a better understanding of the size of the building portfolio, we had a 'level 2' Building Condition Audit (BCA) undertaken. Level 2 is a visual inspection. This allowed us to develop our first detailed 5 Year Building Capital Works Program (with the data to back it up).

We then had the portfolio replacement valued and put the finishing touches to our first Building Asset Management Plan. The Road Asset Management Plan was also completed around the same time as was our participation in WAAMI. We now had a policy, strategy and asset management plans for 67% of our infrastructure by value.

Lesson 4: Don't forget buildings.

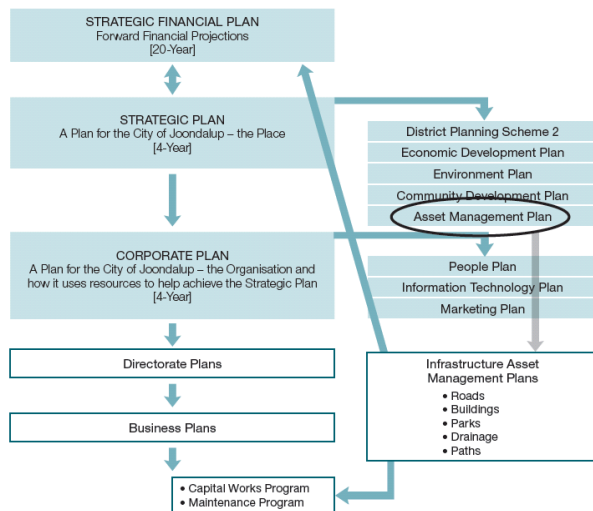
This is often the second largest infrastructure class for most local governments and it is relatively common to be ignorant of the size of the actual portfolio. A large public building portfolio subject to extensive community use presents a huge risk to the organisation and needs to be managed effectively.

In addition to this, buildings can also be the most difficult yet most interesting asset class to deal with. Conquer building asset management and the rest will seem easy.

It was about this time that all building related asset management activities were centralised in the Asset Management Business Unit. This included maintenance, capital works and leasing and created a synergy that improved building asset management considerably.

Getting Better

The City as a whole was maturing and developed a Corporate Integrated Planning Framework with Asset Management embedded right in it. See diagram below:



This led us to review our Asset Management Strategy and relaunch it as the Asset Management Plan. This can also be found at www.joondalup.wa.gov.au

Asset Management also has a solid link to the Strategic Plan. Strategy 4.2.5 reads ‘The City develops and implements its Asset Management Strategy’.

Lesson 5: Ensure Asset Management is part of the organisation’s integrated planning framework.

We are now in the process of finalising the Property Management Framework and are undertaking a freehold land stock take and valuation. This work will allow us to review our Freehold Land Holdings and the potential for disposal through sale or leasing.

Lesson 6: If you’ve remembered buildings, don’t forget property management.

There are probably many clubrooms out there that both your organisation and the club think belong to the club. This is fine until someone gets hurt or major works loom, then you’ll quickly find out it’s your risk.

The remainder of our ‘Big 5’ AMPs are also in development; Park Asset Management Plan, Drainage Asset Management Plan and Path Asset Management Plan. These plans represent 96% of our infrastructure by replacement value

Lesson 7: Don’t sweat the small stuff up front.

Focus on your big 5 (or 6 or 4) infrastructure classes first and work on the rest later.

The City of Joondalup Strategic Asset Management Framework is shown below



Our Approach

The City’s approach in developing its asset management has consisted of two apparently contradictory concepts:

Continual improvement: This involved working initially with existing data, developing core Asset Management Plans using this data and assessing what we needed to improve these plans. As the City was just about to implement a new financial system, we steered clear of acquiring any new systems at this point.

Change Management: This would infer a greater rate of change that continual improvement would suggest; however, the

change was all about attitude and approach. Asset management had primarily been infrastructure focussed but was now being let out of the 'engine room into the boardroom'. This required the gaining of consensus from our new customers as well as introducing these customers to the asset maintainers.

Key Success Factors

The development of an asset management framework, however, doesn't guarantee success. In an environment of competing priorities and scarce resources, the framework needs to be driven through the organisation and is reliant on numerous factors to ensure its success.

Key Success Factor 1: Strategic Asset Management Competencies

Asset management now encompasses more than just engineering skills. It also includes finance, strategic planning and community consultation.

Although community consultation may require external consultants to ensure transparency and impartiality, facilitation skills are essential to conduct group meetings. Notwithstanding the operations of an Asset Management Working Group, both executive and elected members will be involved in the process and consensus needs to be achieved on the more important matters.

Strategic Planning Skills are also helpful to provide the big picture or 'view from the balcony'. An essential component of the strategic asset management framework is an asset management strategy. Like most strategies, this includes a current status report and an action plan on how to undertake the journey to the desired vision.

Getting stuck in the detail is a risk and it is important to maintain the big picture view to ensure progress yet also move along the operational issues at a steady pace.

Asset Management can also be considered a business improvement tool. Maximising utilisation of existing assets and operating in the most cost effective manner are among

the aims of all businesses. This is simply planning what we do.

The Asset Manager should also be a Leader and possess the following key competencies.

Leadership

- Leading others
- Developing capability
- Build and maintain relationships

Management

- Strategic management
- Human resources management
- Financial management
- Technology management
- Information analysis and management
- Process management

Service Delivery

- Driving service excellence
- Problem solving
- Organisational acumen
- Establishing results

Interpersonal Skills

- Conflict management
- Communication
- Diplomacy
- Diversity
- Partnering
- Networking
- Negotiating/Influencing

Saying that, these competencies are not restricted to asset management and all those on the management team should also possess them!

Key Success Factor 2: Executive Support

Senior management support is crucial. Without it, resources, both financial and human will be scarce. Asset management

needs to be driven from the boardroom not the engine room.

There will be no Asset Management Working Group. It may exist in name but cross-functional support will wither and asset management will continue isolated in its traditional engineering silo. If you don't have the support of the executive and the Chief Executive Officer (CEO) you better get it quick! An additional issue is that some Directors may see asset management as a threat to their own programs.

Key Success Factor 3: Clarity of Roles and Responsibilities

What organisation does not suffer from underlap or overlap? To overcome these dual issues, it is important that the roles and responsibilities of all those involved in asset management across the organisation are identified and clarified.

Key Success Factor 4: Separation of Strategic Asset Management from Operations Activities

The 2003 Strategic Asset Management Review found that accountability for strategic asset management was not clearly defined and, as such, there was no ownership of the process. Each directorate had input to different elements of the total process and in some instances, responsibilities had followed staff as they moved between departments. This had led to a blinkered view of strategic asset management.

The consultants sought to identify the best organisational structure for asset management and rather than look inside local government, whether it be in New Zealand, the East Coast or WA, they turned their head to State Government, effectively outside the box. Various models commonly in use were assessed and four models considered, namely:

1. Consolidation of Planning and Operational roles
2. Separation of the planning and operational roles (recommended)

3. Dispersal of the Planning and Operational roles
4. The Strategic Asset Management Role is that of an internal provider

On review, the separation of operational and strategic responsibilities was seen to be the best option.

Key Success Factor 5: Participative Environment

A participative environment is also particularly important. Strategic asset management can be seen as a leadership role and it is essential that all involved have ownership of the process. Joondalup achieves this through the operations of cross-functional working groups such as the Asset Management Working Group.

Conclusion

To ensure Asset Management succeeds in your organisation, maximise the presence of the following key success factors.

- 1: Strategic Asset Management Competencies
- 2: Executive Support
- 3: Clarity of Roles and Responsibilities
- 4: Separation of Strategic Asset Management from Operations Activities
- 5: Participative Environment

And learn from these Lessons:

1. Something that is everybody's responsibility becomes nobody's responsibility.
2. Participate in an Asset Management Improvement Program to get the show on the road.
- 3: Get yourself a cross functional multi discipline team to implement asset management across your organisation.
4. Don't forget buildings
5. Ensure Asset Management is part of the organisations integrated planning framework.
6. If you've remembered buildings, don't forget property management
7. Don't sweat the small stuff up front

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Biography

Paul Kellick graduated from UNSW as a Surveyor in 1989 and less than a week later was on a plane to London for the traditional overseas work experience. Instead of the usual stint in London, Paul surveyed his way across Libya, Burma, Pakistan, Nigeria, Outback Australia and the Sultanate of Oman.

On his return to Australia in 1994, Paul began his career in asset management whilst marketing the relatively new technologies of GPS and GIS to East Coast authorities for just that purpose. After moving West, he joined Local Government in 1997 with the (then) Albany Shire Council and has continued to work in Asset Management with time at the City of Subiaco and the Shire of Busselton where he kicked off the refurbishment of the iconic Busselton Jetty. Paul retreated back to the City in August 2006 to join the City of Joondalup as their new Manager Asset Management.

