



# ASSET



## STRATEGIC ASSET MANAGEMENT, WHAT DOES IT LOOK LIKE?

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### THE AUTHOR:

Mark O'Brien has worked in the construction and property professions for over twenty five years developing a wealth of knowledge and expertise. He joined DVS in 1999 as a Senior Consultant Surveyor; prior to which he worked as a Chartered Quantity Surveyor and Project Manager in the construction industry.

During his time at DVS he has worked as both a Project and Programme Manager for National valuation commissions where he successfully managed prestigious contracts such as HM Prison Service and Her Majesty's Court Service.

He is currently Head of Strategic Asset Management, responsible for the delivery of a range of Strategic Asset Management services across the public sector. He currently works with many public sector organisations developing and implementing property strategies.

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### MARK O'BRIEN

BSc Hons. MRICS, Head of Strategic Asset Management, DVS Property Services

# WHY IS EVERYONE TALKING ABOUT PROPERTY?

These are just some of the reasons.

- Government Efficiency Agenda, increasing scrutiny of how assets are used and managed
- Recognition that good asset management is now an expectation of government, not just a desire
- An increasing requirement to demonstrate you are using property efficiently and effectively in delivering services
- A realisation that annual incremental change does not necessarily deliver innovative property solutions that support transformational business change
- Property has been on the radar of successive parliaments – why?

And some eminent people: knights and peers of the realm, distinguished public sector thinkers, authors, have all had something to say about property, for example:

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

Sir David Varney: “Any initiative that illuminates the dynamic between a business and its assets, and provides practical measures to improve that process, without adding unnecessary bureaucracy, is welcome!”

Lord Carter of Coles: “The Government should create a new central property function to drive efficient use of property across the whole of the public sector.”

Barry Quirk: The Quirk Review of Community Management and Ownership of Public Assets.

John Healy MP: Communities and Local Government, Building on Strong Foundations – A framework for Local Authority Asset Management.

Michael O’Higgins, Chairman, Audit Commission: Room for Improvement 2009.

## Publications/Guidance: Operational Efficiency Programme, HM Treasury April 2009

The most relevant guidance for the public sector is the Operational Efficiency Programme (OEP). In terms of headlines this publication targeted the need to deliver £15 billion of annual savings from crosscutting and complimentary strands of:

- Back office operations and IT
- Collaborative procurement

- Asset management and sales
- Property
- Local incentives/empowerment

The OEP identified that public sector property cost £25 billion annually to run which is 5% of public sector expenditure. This firmly establishes property as a priority area for any government. The guidance set a number of deliberately ambitious targets for example:

- £1.5 billion running cost efficiencies by 2012/2014; rising to £5 billion over a 10-year period
- 30% reduction in Central Government office space, 14.5 square meter/person down to 10 sm/person
- 20% reduction in the remaining (ie local authority) estate
- Asset sales proceeds of £20 billion over 10 years of which local authorities are responsible for £14 billion excluding council housing.

One of the key messages was that in driving efficiencies through a more effective use of property it is necessary to understand both what it costs and how property performs when delivering services.

Finally the OEP identified the following key areas of change, and the need for:

- Engaged senior management
- Strong incentives and controls for property use
- Good data, guidance and Key Performance Indicators (KPIs) “if it can’t be measured it can’t be managed”
- Collaboration and sharing property across organisational boundaries

What is interesting about these is that you find similar key recommendations in all publications about working and developing property strategies.

## Publications/Guidance: Total Place, a whole are approach to public services, HM Treasury, 2010

Total Place is about addressing all public money going into a particular area and is directed towards intended area outcomes, regardless of organisational boundaries, and breaking down barriers. Key recommendations include:

- Weave local services together into a seamless web of support
- Define a new relationship with Government
- Citizen at the heart of service delivery
- Local authorities playing a pivotal role
- Local services working together to reduce waste and duplication

## Publications/Guidance: Putting The Frontline First, smarter government, HM Government

This document is an Action Plan for reforming government. Its aims are to:

- Deliver better public services at lower cost
- Improve public service outcomes
- Achieve fiscal consolidation
- Help the economy grow

Its recommendations include:

- Performance Management across Local Government
- Data Sharing
- Collaborative Procurement
- Recommendations for Total Place
- Relocation outside London and the South East
- New Ways of Working and Service Delivery

Smarter Government also has an Action Plan that deals with:

- Three Central Actions
- Strengthening the role of citizens and civic society
- Free up public services by recasting the relationship with the centre and frontline
- Streamline the centre of government

## Publications/Guidance: Room for Improvement, Audit Commission, June 2009

Room for Improvement deals with strategic asset management in local government and some of its key findings are:

- 7% of councils are exemplary managers of property
- Since 2000 £1.2 billion more has been spent on buying or refurbishing offices than sales
- In 2007/08 the asset management performance of 46 councils deteriorated
- One-third of councils do not yet share assets with other public services

Given these findings perhaps the title is about right and there really is still room for improvement. This report also made a number of recommendations for authorities, and I will deal with three of them.

Improve their knowledge of their estates and their partners' estates by:

- Collecting data on size, use, occupancy, condition, running, costs. This is essentially performance data and I will deal further with this topic later in the paper.
- Having an eye to the open market value (at realistic alternative uses). Not, you will note, existing use value, EUV. The vast majority of your estate may be valued using

the DRC (Depreciated Replacement Cost) approach to arrive at the EUV. There is a big difference.

This is an achievable recommendation for public sector organisations including local authorities.

- Ensure that asset management plans include:
- Quantification of the potential costs and benefits of proposals
- Sharing information with other local bodies providing public services
- Publishing maps or details of the properties held by the public sector in local areas, and inviting proposals for alternative use of them

This is another recommendation that should be achievable right across the public sector.

- Review property holdings and reduce them where possible by:
- Identifying and disposing of surplus or under-utilised property
- Reconfiguring services and administration so that they occupy less space
- Consider tenure other than ownership, for example lease, rent or leaseback where that gives demonstrably better value.

You are probably aware that there can be a lot of negativity around property and property disposals when the market is difficult, or not as we expect or are used to. However, that should not stop you getting ready for when there is a change in the market. If you can get your plans and strategies into place, you can front-end the work that you want to deliver as part of those plans and strategies, and be ready to react when the opportunity presents itself. There is also a concern that in disposing of assets in a difficult market it is more difficult to demonstrate that you have achieved best value and thus avoid future criticism. Always, in these circumstances, think through more carefully your disposal processes and consider the use of clawback clauses.

## Publications/Guidance: Hot Property, getting the best value from local authority assets, Audit Commission April 2000

This publication, about 10 years old now, advocates a strategic approach to property management. Its main conclusions - that a lack of attention to asset management results in wasted money, authorities need to view property as a joint strategic resource and authorities should strengthen asset management planning and adopt modern methods of service delivery - all still ring true today.

Hot Property was also asking these questions 10 years ago:

- Do support staff need to be in expensive town centre accommodation?
- Could police officers share office space with the local authority?

- Could county hall staff use surplus district council space – or vice versa?
- Does a town need two council chambers?
- Would members of the community benefit from co-location of county/district/central government services?
- Could local authorities provide Internet or video access to services in other community facilities such as schools or hospitals?

The questions are still very relevant today.

## Publications/Guidance: Summary

In summarising all these reviewed publications and guidance, these common threads emerge:

- Collaboration/collocation; the future direction for the public sector and public services
- Public sector estate viewed as a Joint Strategic Resource
- Strong engaged management; essential to break down barriers to make initiatives such as Total Place and Working More Collaboratively happen
- Property performance data; becoming increasingly important in order to demonstrate how your property is efficiently and effectively delivering the services it is charged to deliver
- Property as a catalyst for change

## STRATEGIC ASSET MANAGEMENT

The Royal Institute of Chartered Surveyors (RICS) Public Sector Property Asset Management Guidelines (2008) state that strategic property asset management is the activity which aligns business and property strategies ensuring optimisation of the property assets in a way which best supports the organisation's key business goals and objectives. The guidelines are complete and comprehensive; in addition, RICS has published six Local Authority Asset Management Best Practice Guidelines.

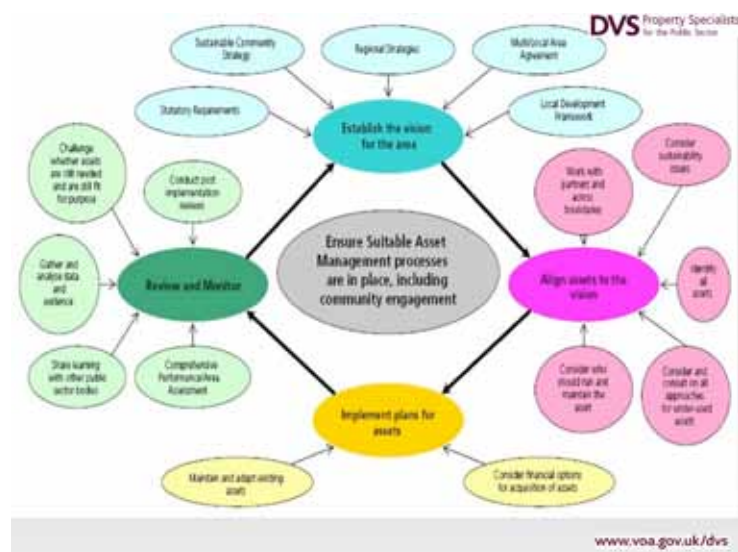
Within the RICS Guidelines is a diagrammatic representation of the asset management process.



This is shown by the blue boxes and the central box shows the other underlining factors that ensure that asset management is practised effectively. DVS Property Specialists has worked in partnership with RICS to produce a web-based e-learning package of the asset management guidelines. There are five modules available over the Internet and these are still available free of charge to public sector organisations. These are available on the Valuation Office Agency website [www.voa.gov.uk](http://www.voa.gov.uk).

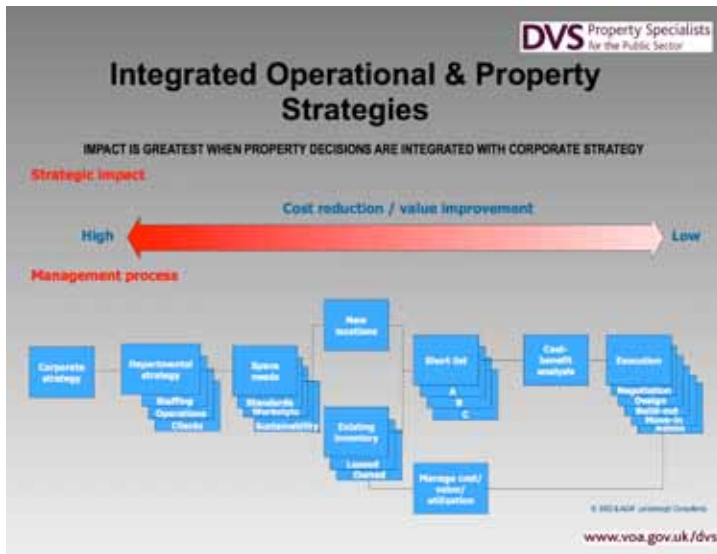
## Strategic Asset Management: Building On Strong Foundation publication, CLG.

This guidance is "A Framework for Local Authority Asset Management" and has another diagrammatic representation of the asset management process.



Although this looks different to the RICS version and uses slightly different wording, its objective is to achieve the same outcome. It is about establishing the vision, aligning the

assets, developing and implementing plans and reviewing and monitoring performance to see whether it is meeting or achieving the vision.



The basic definition of strategic property asset management set out in full above says it is the activity which aligns business and property strategies and this diagram demonstrates that the earlier property thinking is integrated into corporate thinking, the better the chance you have of a more successful outcome. I like this diagram produced by Lenborough Consultants. Put simply, if you think about property further along the red line to your right the likelihood is that you will not get a particularly good outcome. Alternatively if you think about property towards the left hand side of the red line and integrate property into your organisational thinking early, then you are likely to have a successful outcome.

## Developing a Property Strategy; the DVS approach

We take the view that the aim of a property strategy should be to support the strategic, corporate and service objectives of the organisation by attempting to identify property requirements now and into the future, to ensure that the right space is available at the right time, in the right place and at the right cost. There is need to ensure that the asset base of the organisation is aligned with current and future corporate objectives by identifying:

- What should be retained and exploited to full potential, core assets,
- What should have further work undertaken to explore options, intermediate assets, and
- What should be released to generate resources for reinvestment in the business, surplus assets.

But before you develop any strategy for property, it is essential to understand the business involved. This is not necessarily all that straightforward. Consider, for example, the primary objectives of three well known but different organisations. Most would agree that for an ambulance service, one of the primary objectives is to take patients to

the nearest hospital. This is not necessarily so. One of the primary objectives is to respond quickly, assess and deliver treatment at the scene, if that is appropriate, or to take the patient to the most appropriate place of care or treatment. Again most people would think that one of the primary objectives of a Fire and Rescue Service is to extinguish fires, but this is not so. It is about preventing fires as this is cheaper than putting them out. Prevention is approached through education and communication and community engagement, which immediately raises some interesting questions about fire stations. Finally most people would think that holding inmates securely is one of the primary objectives of the prison service and whilst this is true, it is not as important as reforming behaviour and rehabilitating offenders to reduce re-offending. That also raises some interesting questions on custodial property.

## DVS Asset Management Approach

The point is, before you can develop a strategy, you need to understand the business, and that is very difficult when you are someone from the outside coming in to advise on property. Accordingly the DVS approach to developing asset strategies is:

- Engage stakeholders to understand the business
- Establish needs and objectives
- Gather intelligent data
- Plan for lasting benefit

What we hope to deliver from this are some desired outcomes via a three-stage approach.

1. The first stage is to take the corporate objectives and achieve the outcome of an estate that is aligned to those objectives, take basic information and turn the organisation into a high quality, data rich organisation.
2. The second stage is to move the organisation away from an ad-hoc approach to property investment, to a position where property projects are fully integrated into corporate planning.
3. Finally, the third stage is to move from reactive asset management into a fully integrated asset management plan.



Data is important as it provides an audit trail and facilitates change, benchmarking and prioritising options.

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### Data is the Key - Why

- Facts are essential, they inform decision making
- Support the logic (Audit trail of decisions)
- Supports the business case for change
- Helps focus on what needs to be changed
- Allows performance measurement (Benchmarking)
- Highlight current failures
- Generate and prioritise options for change

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There are many types of data and the DVS approach can best be shown diagrammatically.

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### Data to Support the DVS Philosophy Triangle

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Data to support efficiency, and effectiveness and environmental sustainability can be selected.

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### Data to Support Efficiency

Annual occupation costs

- Rent, rates, utilities costs
- Reactive repairs and maintenance costs
- Hard FM (insurance, security, cleaning etc)
- Soft FM (telephones, catering, reception etc)

Economic indicators

- Valuation: Existing use v Market Potential
- Value restricted v Unrestricted
- Building GIA v Site Area
- Tenure

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And

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### Data to Support Effectiveness

- Contribution to service performance
  - Workplace Productivity
  - Functional suitability and building facilities
- Building suitability
  - Health & Safety and statutory compliance (DDA, fire etc)
  - Backlog maintenance condition
  - Fitness for purpose
- Environmental & sustainability performance
  - Energy & water usage, recycling, management practices

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Having captured all this data you might want to present it in some form of comprehensive chart to demonstrate estate performance. The format below is meant to demonstrate how not to do it as it over-complicates the presentation for senior management, whose support, don't forget, we are trying to enlist.

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### Ambulance Station SPA

Ass	#/R of	Element	Current Performance	Benchmark	Score	Weight	Weighted Score	Factor Performance	Factor Weight	Weighted Score
<b>Efficiency Assessment</b>										
<b>Operational Services Performance</b>										
A1		Operational Managers Assessment	5	10	50	70%	35			
A2		Call A Calls within 8 minute response of station	7,605	4,300	189	100%	187	99%	40%	77
<b>Workplace Productivity</b>										
B1		Functional Suitability	4	107	4	4%	17			
B2		Building Facilities	8	21	38	90%	33	90%	20%	13
<b>Building Suitability</b>										
C1		Building Condition	4,100.00	245.00	84	100%	27			
C2		Building Facility	70	100	70	70%	21	70%	10%	10
<b>Environmental and Sustainability</b>										
D1		Waste/Reuse	0	30	0	30%	0%			
D2		MS of Water Average provision	0	30	0	30%	0%			
D3		Management Practices	0	30	0	30%	0%			
D4		Level of CO2 Emission Score	0	30	0	30%	0%		10%	0
<b>TOTALS: EFFICIENCY SCORE</b>										
<b>117</b>										
<b>Efficiency Assessment</b>										
<b>Rating Scale:</b>										
E1		Rates	14	14	100	0%	0			
E2		Utilities	16	17	94	0%	0			
E3		Capital and Depreciation Charges	30	40	100	0%	0			
E4		Reactive Repairs and Maintenance Costs	1	1	100	0%	0	100%		100
<b>F Full Time Equivalents</b>										
F1		Full Time Equivalents (FTE) staff allocated to site	10	10	100	0%	0	100%		0
<b>TOTALS: EFFECTIVENESS SCORE</b>										
<b>100</b>										
<b>Economic Assessment</b>										
G1		Value	100,000	100,000	100	100%	100	100%		100
G2		Market Value/Book Asset Value	100,000	100,000	100	100%	100	100%		100
<b>TOTALS: ECONOMIC SCORE</b>										
<b>0</b>										

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A much simpler presentation showing efficiency and effectiveness across the estate is as follows.

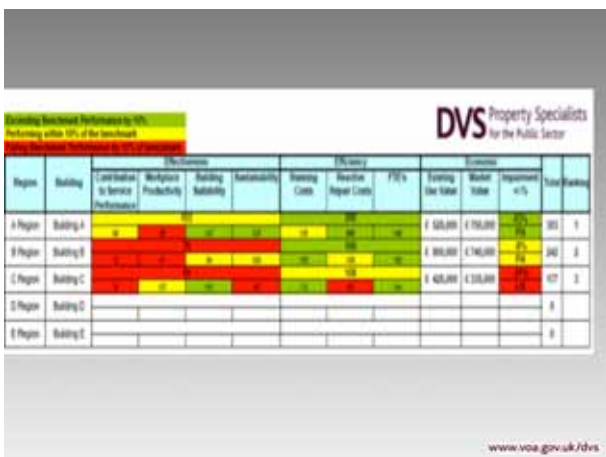
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So Building 2, in the top right, is your most effective and most

efficient property, a probable “core asset” contender. The building shown bottom left is the least efficient and effective property and this then is the start of a strong business case for disposal. Buildings in the other two segments are intermediate properties that need more thought and option appraisal. For example, if we are considering properties of some sort of emergency response service, we might have a building that is cost-efficient but not very effective as it is in the wrong place for vehicles to respond to emergency calls within time. Hence no matter how much money is spent, it will be very difficult to make it more effective in its current location.

Finally having made your assessments and scored the estate, how can this best be presented? One of the complaints about property professionals is the failure to provide easily understandable information to non-property people and senior managers. We need to bear this in mind. Therefore you could consider a simple map showing each asset in a traffic light colour indicating performance level.

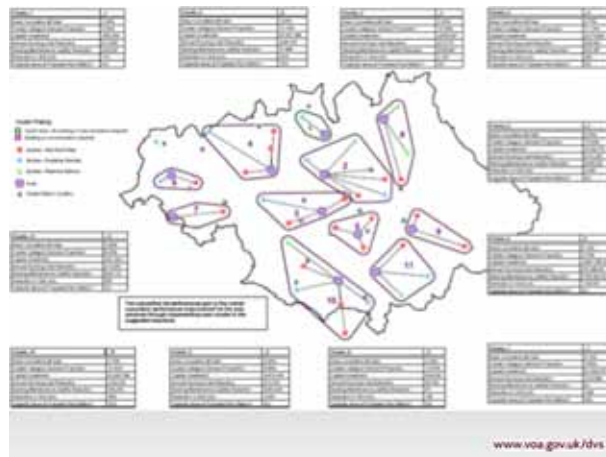


Alternatively, a relatively simple chart packed with comprehensive property data again using traffic light colours to demonstrate performance could be adopted.



The purpose of this second stage of the process is to move the organisation away from an ad-hoc approach to property

investment, to a position where property projects are fully integrated into corporate planning. The steps are shown on the above chart. The objective is to develop a prioritised change programme. This could be presented as a 50 page document but staying with the keeping it simple, how about the strategy on one page?

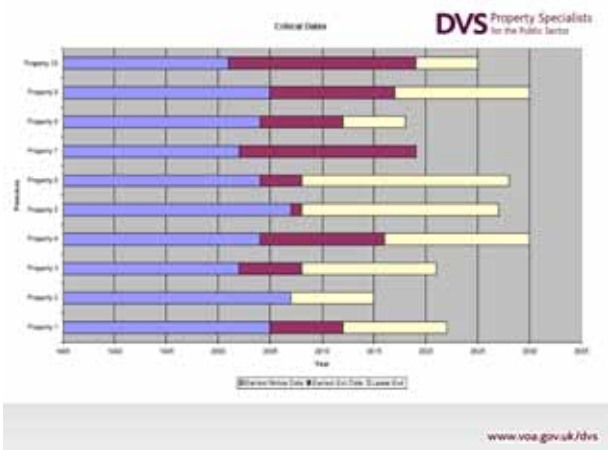


This is a simple to understand presentation with a visual picture in the centre that shows the estate change, and on the periphery various table of necessary detailed information.

The final outcome that we seek to achieve, the third stage, is to move away from reactive asset management to a fully integrated asset management programme.



This is our third stage from implementation to annual review. What we find or what we have found to date is that it is best to have a dedicated project team with a strong engaged management leadership. The team will plan for the annual implementation review and will review and monitor implementation performance. The team will also be responsible for all other issues around the estate and will start to develop critical date registers and similar tools.



Finally, most public service organisations are subject to some form of performance management or measurement such as KLOE 3.2

**KLOE Managing Resources 3.2** DVS Property Specialists for the Public Sector

"Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs"

- Have a strategic approach to asset management based on an analysis of need to deliver strategic priorities, service needs and intended outcomes;
- Manages its asset base to ensure that assets are fit for purpose and provide value for money; and
- Works with partners and community groups to maximise the use of its assets for the benefit of the local community.

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The DVS suggests that following the DVS Process or something similar might help you demonstrate that you have a strategic approach to your assets, that your asset bases are fit-for-purpose, and provide value for money, and that you are engaging with the wider public sector community, other partners and significant community groups.

## Case Study; the Yorkshire Ambulance Service

The Yorkshire Ambulance Trust provides this service. If you have suffered some sort of serious injury and need an ambulance, one of the single most important factors in having a successful outcome is how quickly the ambulance reaches you and provides assessment and treatment.

In 2006 a review of Ambulance Trusts in England and Wales reduced 31 Trusts down to 10 or 11 Ambulance Trusts. Yorkshire had four Ambulance Services and these were merged into one Trust. There were big issues around the Yorkshire ambulance estate not being fit-for-purpose. The estate had evolved over 50 years with a very different operating environment then in

comparison to the present day. The Trust recognised that it had to change for performance to improve.

In the past, the traditional method of response to an emergency was to send out a double crew ambulance, put the patient on a stretcher and remove to hospital. Response time was much different to the present day and the service was based on the use of large vehicles from a central location with assessment and treatment in hospital. Today there is increased expectation around performance and the service has to deal with congested roads, unlike 20, 30, 40 years ago. In part response to this there is now a move from the former large ambulances towards small vehicles, rapid response vehicles, fast cars, motorbikes, and pedal bikes in congested city centres like York. Clearly those changes mean changes for the estate. Today the emphasis is on assessment and treatment at the scene, and if you need treatment you will want to receive it from someone who is properly trained. How do you deliver that sort of training and are your buildings up to delivering training for staff and, of course, other new ways of working?

## DVS Asset Management Approach

Having been brought in to provide an asset management strategy we implemented our usual approach of:

Identifying and engaging with a team of stakeholders

Establishing needs and objectives and

Gathering intelligent data.

The objectives of the business and the affect on the estate were established as follows:

**Objectives**

 <p><b>Business</b></p> <ul style="list-style-type: none"> <li>• Best response times</li> <li>• Ambulance availability</li> <li>• Respond to change</li> <li>• Professional staff</li> </ul> 	 <p><b>Estate</b></p> <ul style="list-style-type: none"> <li>• Appropriately located</li> <li>• Fit for purpose estate</li> <li>• Flexible</li> <li>• Specialist Training facilities</li> </ul>
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Translating these operational impacts on the estate into a set of specific requirements began to focus on appropriately located sites and flexible fit-for-purpose estate able to change with differing patterns of demand, and able to deliver specialist training facilities. We then compared these ideals with the existing estate and developed the prioritised plan of capital investment.

The outcome is that the Trust now has a 10-year Strategic Investment Plan that includes phased disposal, acquisition and a new-build plan with fully scoped-out forecast build costs. The estate is now realigned to meet current operational objectives and will operate with 7% percent less floor space, which is likely to decrease further as we develop more options. At the end of the plan we forecast a £400,000 per annum reduction in running costs. Prior to the implementation of the plan the Yorkshire Ambulance Service had about 4% of its property in the top category for Condition and Functionality. Once the plan is implemented about 15 % of its property will be in that category.

Mark O'Brien  
BSc Hons. MRICS, Head of Strategic Asset  
Management, DVS Property Services

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