

ASSET MANAGEMENT SEMINAR ,
KISUMU

**DEVELOPING ASSET MANAGEMENT
POLICIES
AND
STRATEGIES.**

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Outline:

Review and definitions

The assets life cycle

Principles of assets management policy

Development of assets management policy

Characteristics of assets management policy

Importance of assets management policy

Assets management strategy

Risk assessment

Assets management frame work

ConclusionTom's bad day

QUOTES:

- ▶ One of the great responsibilities that I have is to manage my assets wisely so that they create value....Says Alice Walton
- ▶ Your best creative assets do not occur unless you do a mental shift. You have to be in a positive frame of mind because inspiration is fleeting. I walk to work for inspiration and to clear my mind... by Ron Ben Israel

W E L C O M E



AMSTKENYA

- 90 DEGREE AMS

AM policy, strategy & objectives

AM Policy, Strategy & Objectives



What is Asset management ?

▶ Asset Management

The application of sound technical, social and economic principles that considers present and future needs of users, and the service from the asset.

Or

- ▶ Is a systematic process which allows for the maintenance, upgrading and operation of the physical assets in a cost effective manner.
- ▶ *A better service, not a better asset, is a key indication of successful asset management.*

What is Asset management policy ?

▶ Assets Management policy

Is a policy document that articulates an organisations commitment to asset management and provides policy statements to guide staff in carrying out the organization's business strategies, plans and activities.

▶ Or

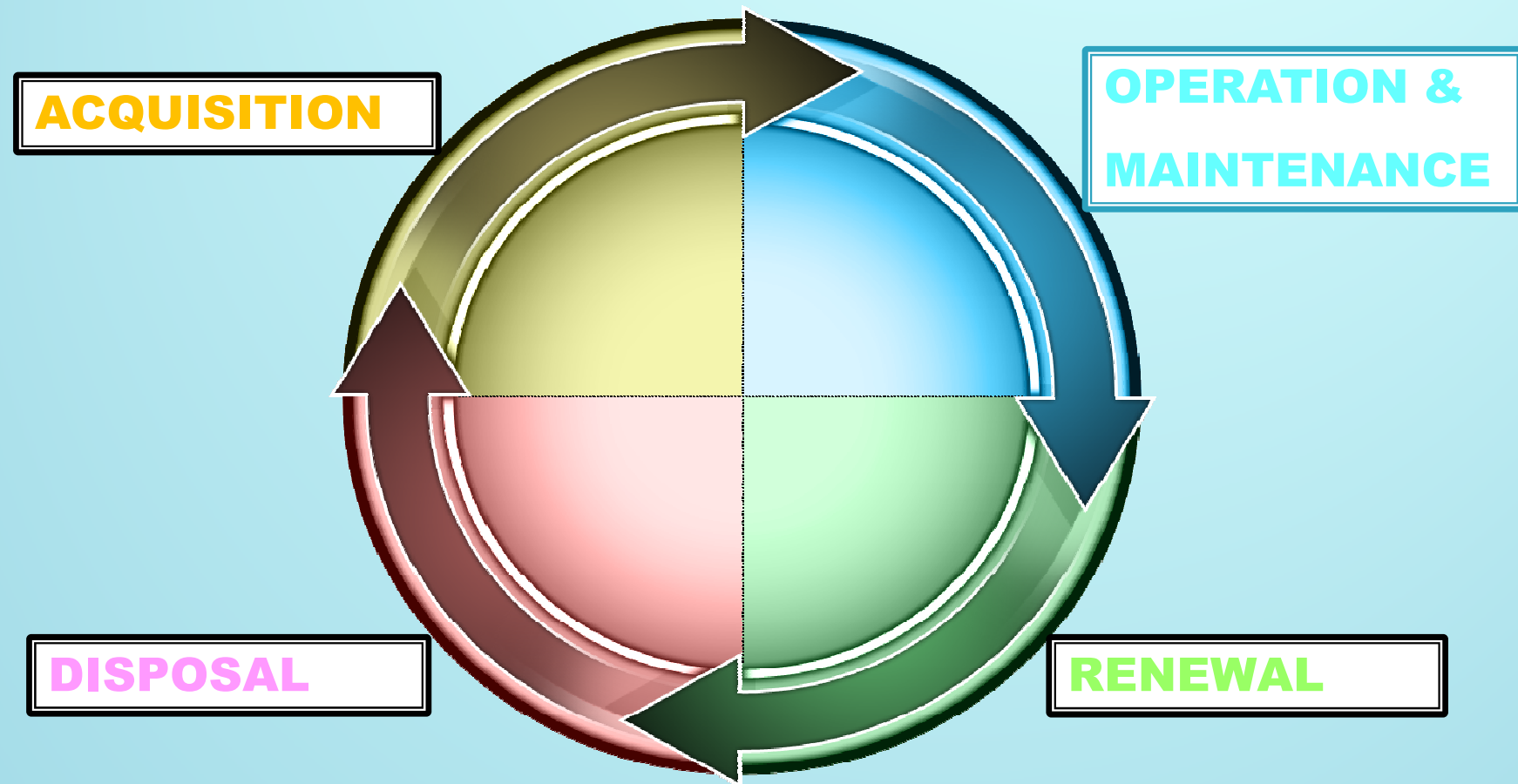
▶ A policy document which states the intentions and direction of an organisation, as formally expressed by its top management.

▶ *Main use: To guide the development and use of organizational asset management.*

What is Asset management policy deals with

- ▶ Assets Management policy deals with
 - ▶ - choice dimensions
 - ▶ - why questions
 - ▶ - underlying assumptions
 - ▶ - Expected outcomes
- ▶ Policy decisions are value added choices that are explicit about their implications for the assets management objectives .

Asset Management Planning – life cycle



Key principles for an asset management policy

The key principles contained in any asset management policy should include (as a minimum), directing the organization to:

- 1 make informed decisions, identifying all revenues and costs (including operation, maintenance, replacement and decommission) associated with all asset decisions, including additions and deletions. Tradeoffs should be articulated and evaluated, and the basis for the decision recorded.

cont'd

- 2 Integrate corporate, financial, business, technical and budgetary planning for all assets.
- 3 Establish organizational accountability and responsibility for asset inventory, condition, use and performance.
- 4 Consult with stakeholders where appropriate.
- 5 Define and articulate service, maintenance and replacement levels and outcomes.
- 6 Manage assets to be sustainable.
- 7 Minimize total life cycle costs of assets.

cont'd

- 8 Consider environmental goals.
- 9 Consider social and sustainability goals.
- 10 Minimize risks to users and risks associated with failure.
- 11 Pursue best practices where available.
- 12 Report the performance of its asset management program

How to develop asset management policy?

- ▶ Developing an asset management policy involves **research, analysis, consultation** and synthesis of information to provide recommendations. There are many approaches an organisation can take to develop and adopt an asset management policy.
- ▶ One process is for staff to identify the organization's asset management issues. Then, together with its stakeholders, they should explore, develop and evaluate alternatives that can be used to achieve acceptable or desired solutions. Staff can then recommend the appropriate policy to their organisation for adoption and then implement it.
- ▶ It is important to maintain dialogue with / between staff and organisation to consult with the public and those with interests in the issue throughout any policy development process.

How is AMP developed cont'd?

- ▶ Remember each organisation is different and the approach taken by every organisation should reflect
 - (i) its organization,
 - (ii) community and its own uniqueness,
 - (ii) and consideration should be given to these dynamics.
- ▶ Regardless of the approach, the process to recommend an asset management policy to an organisation should always incorporate input from staff, the counties, community, stakeholders and the public. The process and methods used are typically community specific but may be accomplished using advisory committees, direct consultation and other channels.

Characteristics of Asset management policy

▶ Asset management policies;

- 1 Are general in nature and contain broad principles,
- 2 Should identify the parts of the organization that will implement the policy,
- 3 should clearly outline how asset Management is to be integrated within the organization in order that it is
 - coordinated,
 - cost effective and
 - organizationally sustainable.

Cont'd

- ▶ Asset management policies extend beyond accounting policies and must be;
 - 1 Comprehensive
 - 2 Covers all assets life cycles
 - 3 Should address principles of assets management

They reflect managements operating philosophy and style and managements concern in maintaining adequate controls over its resources.

What Asset management policy should establish

An asset management policy should establish that the organization;

- 1 Maintains and manages all the assets at defined levels
- 2 Monitor standards and service levels to ensure that they meet/support organisations and the customer goals and objectives.
- 3 Develop and maintain asset inventories of all its assets.
- 4 Establish assets replacement strategies through the use of full life cycle costing principles.

CONT'D

- 5 Plan financially for the appropriate level of maintenance of assets to deliver service levels and extend the useful life of assets.
- 6 Plan for and provide stable long term funding to replace and/or renew and/or decommission plant and infrastructure assets etc
- 7 Consider and incorporate asset management in its other corporate plans
- 8 Report to stakeholders regularly on the status and performance of work related to the implementation of this asset management policy.

Important contents of an asset management policy:

- 1 Organisational context and importance of asset management
- 2 Organisation's vision and goals for asset management
- 3 Asset management responsibilities and relationships
- 4 Broad time frames and deadlines integration of asset management into the organisation's business processes
- 5 Audit and review procedures.

Guideline and practices

- ▶ An asset management policy should also include some direction for staff to develop guidelines and practices in managing, financing, operating current assets and planning for future assets and the delivery of services. The development of these asset management strategies and plans are essential to accomplishing the long-term goals.
- ▶ The policy should require operational plans to reflect the asset management plans.

Integration of asset management within organization

- ▶ An asset management policy should outline the context and how asset management is to be integrated throughout the organization's lines of business.
- ▶ This is typically formalized through references and linkages between corporate documents and activities listed in the policy.

Key role for managing the asset management policy

- ▶ An asset management policy should identify the key roles for managing the policy.
- ▶ For example, organisation's role and authority for approving, updating, amending or rescinding the policy should be established, and the staff functional units (and their implementation responsibilities) clearly identified in the policy.

Benefits of Asset management policy

- 1 Better allocation of limited organisations resources
- 2 Improved alignment of assets with services and customer expectations
- 3 Reduced demand for new organisations assets through better integration of service planning and asset planning
- 4 More effective use and maintenance of existing organisations assets
- 5 Improved processes and accountability for capital and recurrent works
- 6 Use of non-asset solutions to meet service demand
- 7 Increased use of sustainable development solutions.

Adoption of Asset management policy

- ▶ Once an asset management policy is adopted by an organisation, it is expected that staff implements the policy through the development and use of guidelines and practices.
- ▶ A policy should also include a schedule for reviewing the implementation, the success of the work to that point in time and the relevancy of the policy.

Why adopt an asset management policy?

- ▶ Good policies articulate clear directions, identifies accountabilities and can be consistently applied.
- ▶ They enhance public confidence and improves customer service and the organization's efficiency and effectiveness.
- ▶ When an organisation adopts an asset management policy, it also demonstrates to the community that it is exercising good stewardship, and is delivering affordable services while considering its legacy to future residents.

consequences of not adopting a proactive AMP

- Meeting performance levels becomes more difficult. When this happens, organizations may make short-term financial and technical decisions in an effort to curb this trend or ignore the deterioration.
- By not setting aside sufficient funds to operate, maintain and replace their assets, this deterioration will accelerate and ultimately result in asset failure.
- This will erode public confidence, threaten community values and goals and impact the community's economic development.

Objectives of asset management policy

The objectives of assets management policy are to ensure adequate provision is made for the long-term renewal of all assets by:

- ▶ Safeguarding all physical assets and employees, by implementing appropriate asset management strategies and the allocation of appropriate financial resources.
- ▶ Providing information to all employees to enable them play an integral part in the sustainability and overall management of organisations assets.
- ▶ Ensuring legislative requirements for asset management are met.

Cont'd

- ▶ Ensuring resources and operational capabilities are identified and responsibilities for asset management allocated.
- ▶ Demonstrating transparent and responsible asset management processes that align with best practice.
- ▶ Undertaking maintenance programs, which may include conservation, rehabilitation, minor replacements or infrastructure renewal, to prolong the life of an asset and to monitor life cycle management.
- ▶ Considering the current and future needs of the Community and its ability to provide infrastructure assets which contribute to meeting these needs.

What does a company do after it adopts an AMP?

- ▶ This is where the real work begins in the development of an asset management strategy. Because asset management affects everything an organisation does, the development of this strategy and the practice of asset management is a team effort. The strategy should examine and document the status of asset management in the organization, and identify a future vision and the key objectives for the organization.

The formulation of the strategy should include the review of processes, systems, and available data; and based on these findings, determine the required resources and develop a schedule to address the gaps.

Cont'd

- ▶ Once asset management plans are developed, the organization's operation plans should be adjusted for the asset management work, such as
 - 1 data collection,
 - 2 rehabilitation priorities,
 - 3 deterioration forecasts,
 - 4 resourcing requirements to reflect greater maintenance, and
 - 5 monitoring performance indicators.

Developing Assets management strategy

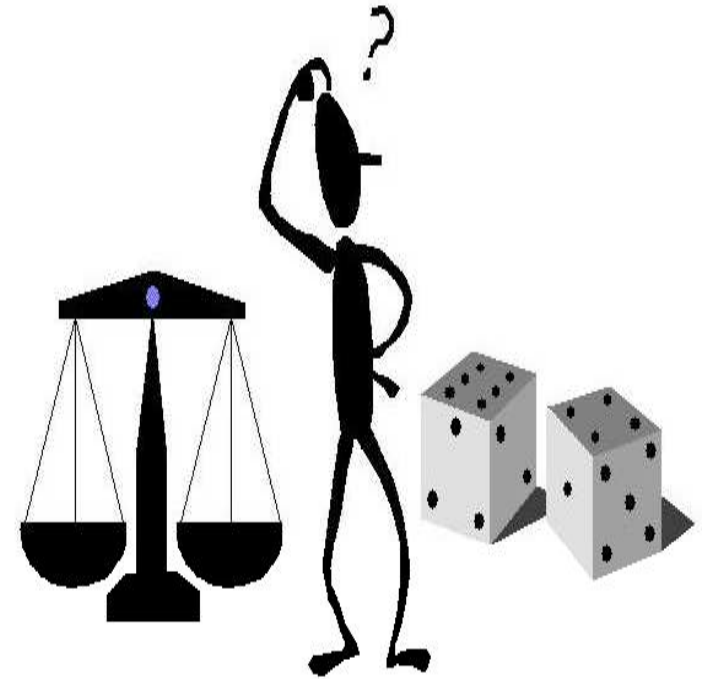
- ▶ The first step in developing an asset management strategy is to get a clear understanding of the current situation of the organisations assets and their management. Ask –the ‘big picture’ questions.
 - 1 What condition are they in?
 - 2 Do they meet the current and forecast future needs of the organization and its community?
 - 3 Is the funding base for operation, maintenance and renewal appropriate and affordable?

Developing Assets management strategy

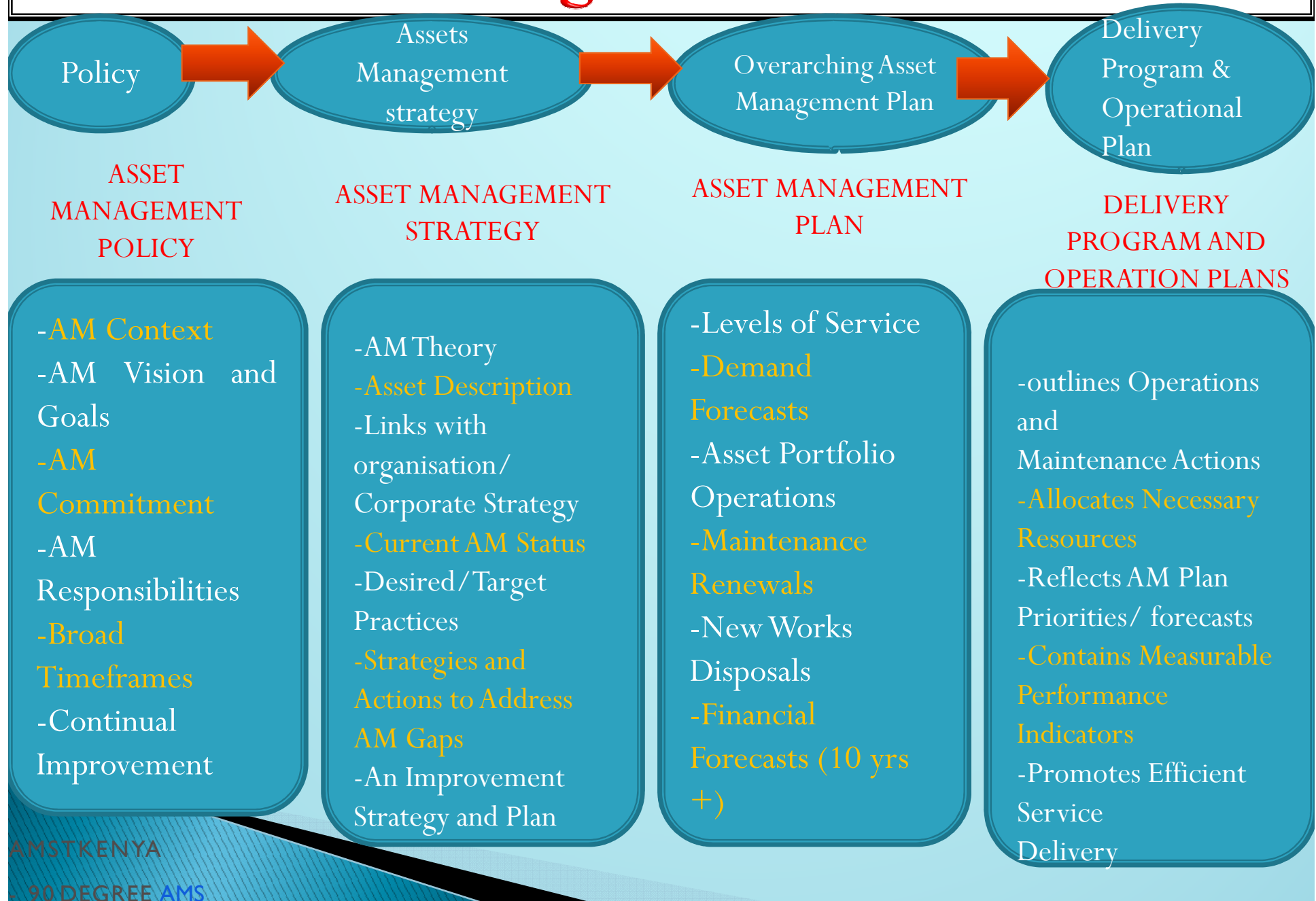
- 4 What is the state of the procedures, systems and training?
 - ▶ Typical elements of the current situation assessment are:
 - current asset stock
 - condition of current assets
 - operating and maintenance costs
 - utilisation of existing assets
 - user satisfaction with service provision
 - future renewal profile.

Risk Assessment

- ▶ Acceptable risk tolerance for each asset must be part of the strategy
- ▶ Condition survey used to determine rate of failure and consequences of failure
- ▶ Risk Factors include: financial, environmental, regulatory/legal, public health and safety



Assets management framework



Conclusion....

- ▶ AMP is a useful tool to institutionalize asset management within an organisation.
- ▶ A good policy can clearly articulate an organisations commitment to asset management and be used to guide staff in integrating and coordinating the work of AM to improve its effectiveness.
- ▶ More importantly, by using sound AM practices that results from a good AMP, organisations and communities can be assured that
 - (i) the assets meet performance levels,
 - (ii) used to deliver the desired service in the long term and
 - (iii) are managed for present and future users.

Conclusion....cont'd

- Organisations should develop their own asset management policy and strategy.

Asset Strategy must answer following questions;

1. Can service delivery be made less asset dependent?
2. Are existing assets fully used in service delivery?
3. Are existing assets appropriately located for effective service delivery?

Conclusion....cont'd

- 4 Is the capacity of existing assets sufficient to provide the required services?
 5. Are assets suitable for the effective delivery of the services they are intended to support?
- These broad strategic goals are translated into specific goals and objectives, providing direction and guidance for its asset management planning to provide more detail and long-term projections.

There is no one fit all policy. Each is different

Tom's bad day....

- ▶ *Storyline:*
- ▶ A Step-By-Step Approach To Discovering And Applying Asset Management To A Utility Environment

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THANK YOU

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Asset Management Systems & Technologies (k) ltd (AMST)
providing lasting solutions to asset management.