



Public Sector Asset Management in the UK

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Who I am and what I do!



Practitioner



Consultant



Academic



Emergence, Rationale & Maturity of Asset Management

What	When	Why
Electricity Water Rail networks	Private Sector 1980s & 1990s	Regulatory requirements connected with privatization - need to have robust business case to support investment needs (and convince regulator)
Schools Other municipal property Highways	Local Government Late 1990s early 2001-2002 Early 2000s	Policy directive - reinforced by audit / inspection regime
Hospitals Other central government departments	Central Government 2004+	!



Infrastructure Asset Management Vs Property Asset Management

- | | |
|---|---|
| <ul style="list-style-type: none">○ Infrastructure | <ul style="list-style-type: none">○ Property |
| <ul style="list-style-type: none">○ Networks○ Invisible or less visible○ Single purpose○ Failure / safety / investment○ Non-political | <ul style="list-style-type: none">○ Buildings○ Very Visible – project an image○ Multi-functional○ Condition / cost / fitness for purpose○ Political |

Convergent or divergent disciplines?

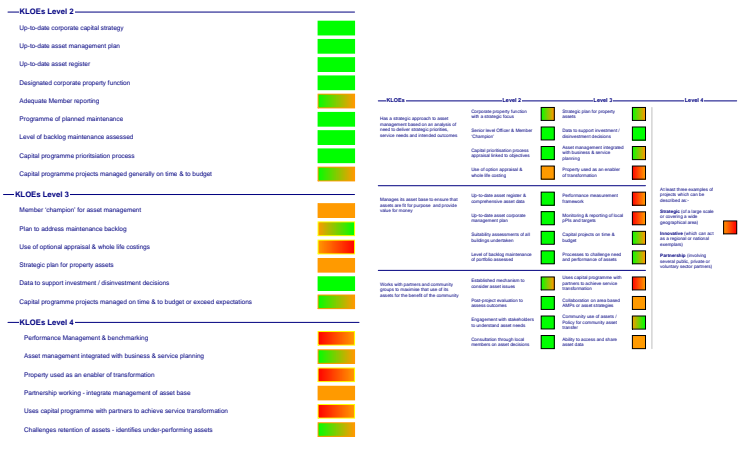


The Requirement for Asset Management

- Utilities – obligation as a consequence of privatisation
- Public sector through policy direction
- Reinforced by external inspection / advocating by professional associations
- Reputation also an important influence
- Property professionals have embraced as a means to raise profile of their disciplines
- Use of 'Beacon Scheme' in local government to share good practice



External Inspection Regime – KLOEs for CPA & CAA





The Requirement for Asset Management

- Sometimes organisations do it because they 'have to' rather than because they 'believe in it' or recognise its benefits



Changing Role of Asset Management

- Early role
 - Efficiency
- More recent role
 - Service transformation
 - Regeneration

Who Owns Public Sector Assets?

- Pattern of public administration is complex – asset ownership reflects this complexity
- Increasing use of private sector in the provision of public services
- Can be described as a ‘mixed economy’
- Who provides service tends to own assets
- Accountability for services is different from provision of services

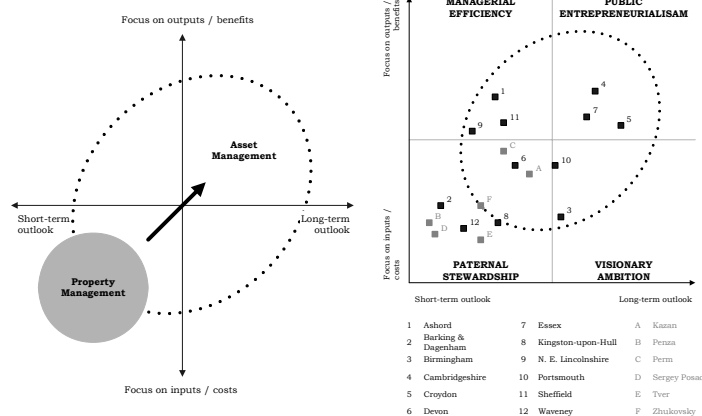
Who Owns Public Sector Assets?

Asset Type	Owning Entity	Funding & Level of Public Administration	
Schools	Governing Bodies	Trusts	
Highways (minor roads)	County Councils (principally rural areas)	Local Government	
Libraries			Unitary Councils (principally urban areas)
Adult Education Centre			Fire & Rescue Authorities
Elderly Peoples Homes			
Fire Stations			Unitary Councils (principally urban areas)
Refuse collection depots			District Councils (principally rural areas)
Industrial estates			Unitary Councils (principally urban areas)
Shops on housing estates			
Social Housing	Housing Associations	Trusts	
Police Stations	Police Authorities		
Highways (major roads)	Highways Agency	Central Government	
Historic Buildings	English Heritage (Guardianship)		
Hospitals	Primary Care Trusts	Private Sector	
GP Surgeries	Doctor(s) Practices		
Water supply	Water Utilities		
Water treatment			

How are Public Sector Assets Managed?

- Most organisations will have a 'property management' function
- Different size & capacity according to size of organisation & its portfolio
- Term property management often used rather than asset management
- Some property management activities outsourced to private sector
- Not at top table – perceived as a technical support rather than a strategic activity

Asset Management and Property Management





Accounting Requirements

- Property treated as a fixed asset on balance sheet
- CIPFA – public sector accountancy body – sets standards



Asset Valuations (Valuation Frequency)

- Total 'value' of assets presented through annual accounts
- Minimum revaluation cycle (every 5 years)
- Assets with major capital spend are re-valued after completion of works
- Different valuation method depending on assets



Asset Valuations (Valuation Methods)

- Vehicle, plant & equipment
- Non-operational property
- Operational property
- Infrastructure assets
- Community assets
- Work in progress
- Current replacement cost
- OMV (at alternative Use)
- MV (EU)
- DRC
- DRC
- DRC



Asset Valuations (Depreciation Periods)

- Land
- Buildings
- VPE
- Roads & Highways
- Community assets
- Work in progress
- Surplus property
- Nil
- 60 years
- 3-15 years
- 20-25 years
- Nil
- Nil
- Nil



Asset Valuations (Opportunity Cost)

- Opportunity costs not generally known
- Organisations will undertake market valuations
 - As part of rationalisation schemes
 - Prior to disposal
 - As part of review processes
- Property view of asset values – lot of effort for potentially misleading information



Resources for Capital Investment in Property

- Borrowing
- Government grant
- Bidding (through competition)
- PFI (Government's preferred method for funding major infrastructure projects)
- PPPs



Resources for Capital Investment in Property

- Medium term planning (3-5 years)
- Departmental bids for capital
- Internal mechanism for allocating funds
- Prioritisation linked to corporate or service objectives
- Ultimately a 'political decision' (in councils)



Private Finance Initiative

- Mature operating model (across many sectors)
- Private sector provide, manage & maintain facilities
- Annual unitary charge over the life of contract
- Assumption that private sector more efficient than public sector



Public Private Partnerships

- More innovative partnership arrangements (e.g. LABV)
- Use of JVCs to rationalise asset holdings / provide new facilities
- Public sector put assets into 'New Co' – Private sector put in finance / expertise
- Share in value gain
- Partnership constructed to meet objectives (timescales / ownership / value release etc.)



Looking ahead – some possible trends

- Policy & Resource Environment Changing
 - Shared asset use
 - Efficiencies (again) because of crisis
 - Climate change
- Innovative 'ownership' models
- Sub-regional collaboration – project 'bundling'
- An emerging professional discipline – maybe 'chartered status'



Some Issues for Debate

- Do we need to 'segment' asset management as a discipline?
- How do we resolve ambiguity in its definition, scope and purpose?
- Are there appropriate frameworks to describe why and how to do AM?
- The notion of 'best practice' and 'effective outcomes' – what are these and is there a link?
- Looking at aspects other than financial