An Examination of the Relationship between Rationale, Practice and Outcomes in Municipal Property Asset Management

A Comparative Study of the UK and Russia

By

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ABSTRACT

Local government globally is evolving in response to rising public expectations, changing socio-demographic factors and a growing focus on efficiency. The asset base used by municipalities in its service provision is changing to reflect this evolution. A new discipline of asset management has emerged prompted by a range of resource and policy influences. Its emergence reflects emphasis on a more strategic, entrepreneurial use of public assets rather than the more technical, stewardship role of property management from which it originated. In the past management of public property has received little critical attention but this has changed and a growing body of material is contributing to the advance of this new discipline.

This thesis examines the relationship between rationale, practice and outcomes in asset management in order to understand the change factors that are a feature of this evolution of property management to asset management. An analytical framework was developed to measure why organisations do asset management; how they do it and what they achieve. This framework was applied through case studies to identify the change factors and to derive a simple typology of asset management to position organisations in the transformation process in terms of their approach and results.

The case studies identified four change factors. These can be described as: strategic focus, organisational will, portfolio intelligence and an entrepreneurial culture. These characteristics were more evident in cases where organisations had advanced furthest from a traditional, paternalistic stewardship role of assets towards one of public entrepreneurialism.

DEDICATION

For the Grace of God

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Finally thanks are due to my immediate family for their love and support and giving me the time and space to pursue my work. Despite all the assistance from those mentioned above any errors or omissions are due solely to the author; as is the analysis and views expressed. It is hoped that these will provide a stimulus to practitioners in asset management to embrace, nurture and challenge the discipline as it evolves and matures.

TABLE OF CONTENTS

List of Tables

List of Figures

Abbreviations

AMP	Asset Management Plan
CAA	Comprehensive Area Assessment
CGI	Corporate Governance Inspection
CIPFA	Chartered Institute of Public Finance and Accountancy
CLAW	Consortium of Local Authorities Wales
CLG	Communities and Local Government
CPA	Comprehensive Performance Assessment
CREM	Corporate Real Estate Management
CSR07	Comprehensive Spending Review 2007
DCLG	Department of Communities and Local Government
DETR	Department of the Environment, Transport and the Regions
DFES	Department of Education and Skills
GIS	Geographical Information System
IAM	Institute of Asset Management
IDeA	Improvement and Development Agency
KLOES	Key Lines of Enquiry
NAO	National Audit Office
NIES	National Improvement and Efficiency Strategy
ODPM	Office of the Deputy Prime Minister (renamed DCLG)
OGC	Office of Government Commerce
NPM	New Public Management
NPW	National Public Works (of Australia)
RICS	Royal Institution of Chartered Surveyors
SAM	Strategic Asset Management
TAM	Total Asset Management

SECTION 1

CONTEXT & RESEARCH FOCUS

CHAPTER 1

Introduction and Context

1.1 Property Asset Management within Local Government

Local government is an essential element of public administration in all nations and its primary purpose argues Hentschel & Utter (2006) is to provide a range of public services for the benefit of its citizens. Regardless of its origins and form local government is Danielian (2002) argues a requirement of any modern democratic state. It is required to ensure efficient administration of a nation's social and economic processes. Such processes are so complex and diverse suggests Danielian (2002) as to be incapable of being controlled from a single centralised focus of power and thus decentralisation of decision making through local government is necessary. It is therefore a mechanism to optimise public governance through ensuring effective administration of public services.

Whilst local government may vary considerably between and within countries in terms of its legal basis, functions and structure, it has Danielian (2002) suggests a common purpose which is concerned with local determination on a range of public administration issues exercised through elected bodies. It is the level of government closest to the community and in Danielian's words provides '*a link between state and society at large*'.

Writing on the historical development of UK local government Stewart (1988), quoted in Judge, Stoker & Wolman (1995) identified the origins of local government as being primarily concerned with the local provision of separate services required by national legislation. If this local service delivery was its primary role, it is also relevant Wolman (1995) notes to recognise the

importance of the concept of efficiency, in terms of responsiveness to the needs of citizens, as a founding concept of local government. Wolman (1995) notes the structure of local government reflects the concerns of efficiency and effectiveness in the delivery of public services through the mechanism of representative democracy. Leach & Stewart (1986) state that '*local government has been based on representative democracy*' and that *'the council of the local authority is constituted by elections, but once so constituted acts on behalf of the electorate, for which actions it can be held to account at the next election'.* It is this democratic basis and provision of public services locally, along with its regulatory and general economic development roles which is a defining characteristic of local government.

In order to meet its service provision obligations local government needs property. Indeed Peteri (2003) argues that property is one of the basic pre-conditions for autonomous local government. Effective local government with capacity to fulfil its responsibilities is a prerequisite for quality public services. Responsibilities of local government are significant, diverse and complex and its capacity to undertake them is shaped by its funding, its staff and its assets. The funding base of local government, whether raised locally or derived from central government, provides a basic constraint on what can be achieved. This can be enhanced by the innovation, skills and flexibility of its staff. Physical assets, like property, which have significant value and cost, can also contribute to service delivery through their management and use. Buildings provide a place for people to work and a point at which services are provided. They represent, as the RICS (2004) identifies, local government largest capital asset and involve significant expenditure in both maintenance and running

costs. They are also a visible resource projecting an image of local government to the public.

Further, there is Burns et al (2001) suggests a hidden social and economic cost associated with local government property. The buildings through which councils provide their services are part of the wider community infrastructure. If they are in bad condition, poorly maintained or look run-down, people and business will want to move away. As Worley Ltd (2000), in their report on strategic municipal asset management for the World Bank, state the overall well-being of the communities that local government serves as vibrant, prosperous and sustainable is dependant in part on the efficient management of its own infrastructure. For these reasons alone municipal property management is worthy of critical evaluation.

Local government is a significant owner of property and municipal property as Kaganova & McKellar (2006) remark is a major component of public wealth**.** Kaganova et al (2000) write that in some cities as much as 90% of property can be owned by local government and even where the level of ownership is much lower than this, there are still significant property holdings owned by local councils. Lyons (2004) identifies from UK national accounts that 58% of the £658 billion of total public sector fixed assets are held by local government and the Chartered Institute of Public Finance and Accountancy (2005) notes local government in the UK owning over £220 billion of operational assets, with non-housing land and buildings accounting for £92 billion of this total.

Although individual councils may vary considerably in terms of the size and nature of their property holdings they all have as the Audit Commission (2000)

states a common need to manage these in the best way in support of the communities they serve. The way they do this is the Audit Commission (2000) suggests fundamental to their ability to deliver services.

Whilst municipal property accounts for a significant proportion of wealth in both developed and developing nations its management has until recently received little critical attention. In the past property has been a 'hidden resource' and its management in the view of commentators such as Carter (1999 & 2000), Kaganova (2003), Fernholz & Fernholz (2006) and the Audit Commission (1998 & 2000) has been neglected. Property was seen as an inflexible, fixed asset rather than a strategic resource. It, in the view of Carter (1999 & 2000), received little executive management attention and there was widespread ignorance of its cost, value and performance. Similarly property management was viewed as a technical support service incidental to corporate and service objectives, with an operational rather than strategic focus.

However, the nature of property management has been changing and it is now seen as more pivotal to the core responsibilities of local government. This change has been seen in the emerging discipline of asset management. The nature of this change means that property management in local government is changing from a traditional role of 'paternalistic stewardship' to one more of 'commercial exploitation' of its portfolio. These concepts of paternalistic stewardship and commercial exploitation are amplified and discussed in chapters 3 and 6 and are illustrative of a trend that has seen property increasingly recognised as a strategic resource and as a 'productive asset' rather than a 'public good'.

There are alternative, but not inconsistent views of the origins of asset management which embrace a range of factors such as rising client expectations, changing legislation, growing maintenance backlogs in the building stock and increasing use of private sector practices. The consensus is that it can be seen as part of wider reform of public services and that it emerged in an environment where investment needs were scarce relative to funds. The rise of asset management can Kaganova & McKellar (2006) argue also be viewed as part of the broader reform processes of New Public Management (NPM) in which the public sector attempts to mimic the efficiency and accountability of the private sector with emphasis on themes of competition, performance measurement and the separation of policy from delivery. Conway (2006) argues asset management has in large part been cascaded down by central government policy to local government as part of these broader NPM reform processes.

Although problematic to define simply, in essence asset management can be viewed as described by DETR (2000) as '*the activity concerned with optimising the utilisation of property assets in terms of service benefits and financial return*'. This new discipline of asset management can, Howarth (2006) argues, be seen as an evolution of property management into a new distinctive professional discipline in its own right. It represents Howarth (2006) suggests a move away from more technical aspects associated with operational management of individual buildings towards more strategic considerations involved in managing the portfolio as a whole and has required an evolution in skills. The characteristics that differentiate asset management from traditional property management may be seen as comprising: a strategic rather than operational focus, greater consideration of the collective portfolio rather than

individual buildings and a more commercial attitude to decisions regarding the asset base.

There are some broad trends internationally which are discernible in the development of asset management as a distinctive discipline and which have been summarised succinctly by Kaganova (2003). These are an increasing use of private sector practices in the management of municipal property; a shift from public to private ownership of property and the exploitation of the latent value within property. There are also broad trends in its implementation which can be characterised as a 'top-down accountancy' driven approach, 'bottom-up practitioner developed' and 'externally advocated' by donor agencies. Worley Ltd (2000) suggests that UK, Australia and New Zealand are typical of the top-down approach; USA and Canada reflect a bottom-up approach, whereas developing countries and countries in transition, such as Russia, reflect the externally-advocated approach. The conventional wisdom is that asset management is more advanced in 'top-down' countries and least advanced in countries where it is 'externally-advocated'.

Commentators, such as Ashworth (2000) and Lyons (2004), observe the challenges facing local government requires it to continuously strive for improvement in performance and to look for new ways of delivering services. The new discipline of asset management is now considered essential to this search for service improvement. Lyons (2004) argues that public service is evolving in response to rising public expectations; with an increasing focus on improving efficiency. Whilst written as a commentary on local government in the United Kingdom the same general trend can be identified more universally and central to this reform agenda Lyons (2004) suggests is a need to ensure

that assets are deployed to optimise their contribution.

Sharplin (2003) argues further that the application of asset management concepts and methodologies to infrastructure is vital for nations to maintain and improve their international competitiveness. Local government property is part of a nation's infrastructure and as a resource of significant value and cost it is therefore important that it is contributing to this well-being at both a community and national level. How local government acquires, uses and disposes of property can play a part in contributing to the overall effectiveness of the wide range of services which local government provides. As Lyons (2004) writes '*developing new and better ways of managing property will support the ethos of continuous service improvement that is now a natural focus for local government*'.

Over the last decade there has been a range of guidance produced from central government, consultants, academics and practitioners. These form a growing body of knowledge on what constitutes best practice for asset management which can be used by those within local government to benchmark and improve their own practices. However, 'best practice' alone may not be a reliable gauge of effective asset management and unquestioning adherence to such guidance may not always be an appropriate course of action. Whilst currently advocating the benefits of asset management the Audit Commission (1988) previously recognised that the long term nature of property means it is difficult to provide convincing proof of a generally applicable '*right way*' of managing property since the consequences of actions may not become apparent for many years.

There is a growing interest in asset management internationally but despite a growing volume of literature and guidance it Rose (2004) implies remains an immature activity with its focus and nature still evolving. As Gibson (1999) states there is still ambiguity in its definition, purpose and scope. There are also variations in its development across the globe and within individual countries. A primary aim of this research has been to contribute to this growing debate about the nature of asset management.

1.2 Overall Research Purpose

Whilst there is a growing interest in the discipline of asset management its development suggests Rose (2004) is constrained by lack of a clear framework of guidance on how to do it. Despite a growing volume of literature on 'what it is' and 'how to do it' there is still some confusion because of this lack of a clear conceptual framework within which to place its development and measure progress. As Rose (2004) argues whilst '*there is an intuitive interest in asset management concepts many practitioners struggle to turn the concepts into reality because of a lack of a clear framework which provides a step by step guide on how to introduce and develop asset management*'.

As an embryonic and evolving discipline there has only been minimal research into the current state of asset management, little critical review of published best practice, and as Hentschel & Utter (2006) suggest limited international comparisons. Existing literature has tended to focus on providing descriptions of good practice rather than any analysis of the rationale for and, outcomes of asset management. There has been little critical review of guidance on asset management and the focus within the discipline on adherence to best practice may derive from the degree to which it has proved difficult to define outcomes

and the use of good practice therefore acts as a proxy indicator of good outcomes. The long term nature of the management of property assets, the lack of definition of what constitutes effective asset management outcomes and the notion of 'best practice' are themes that are reflected through this thesis. Given that there is no clear definition of what over the long term constitutes effective asset management and how to measure it, there may be a tendency to adopt best practice in an unquestioning way simply because it is the perceived wisdom at a particular point in time.

There has been no real test of this orthodoxy of adherence to good practice leading to good outcomes and only a limited examination of the wider linkages between rationale, practice and outcomes. As Burns (2002) argues the existing body of knowledge has failed to demonstrate sound empirical evidence of improved outcomes from the implementation of asset management. This lack of research into the linkage between rationale, practice and outcomes is the principle motivation for the research along with a personal desire to challenge an unquestioning adherence to best practice guidance which is a characteristic of the discipline at a practitioner level. Models to describe asset management are remote to practitioners and a new analytical framework can help examine these relationships and also provide improved understanding of asset management and it is to this end that this research has been directed.

1.3 Research Hypothesis and Focus

The rationale for this research and its focus has also in part been shaped by the researcher's own interest in the subject from a practitioner perspective. In particular the feeling that as a practitioner there was a lack of coherence around the nature of asset management as a discipline; and a lack of clarity

about its purpose, scope and benefits. There was also disquiet, again from a practitioner perspective, about the obligation to follow policy and practice 'directed from on high' by central government to local government. It was this curiosity and challenge to conventional wisdom on asset management which framed the research. The research has however attempted to position this challenge within a wider context by providing an alternative framework for a debate about the nature of asset management and the influences on its development. An initial literature review and discussions with fellow practitioners in framing the research questions suggested that this was a relevant line of enquiry and one that would assist in improved practitioner understanding of this new discipline.

The overall hypothesis which frames the research is that:-

> ***The reason why councils do asset management determines how they do it and what they achieve*** (that is the rationale for adoption is a decisive influence on practice and outcomes)

This primary hypothesis can be articulated as two separate supporting secondary hypotheses:-

> ***The rationale for implementing asset management exerts an influence on the adoption of 'best practice'***

And

> ***The use of 'best practice' exerts an influence on the outcomes from asset management***

Examining the nature of these relationships between rationale, practice and outcomes can help to provide a broader understanding of asset management

and to identify the key factors that facilitate or inhibit its development as a distinctive and valued discipline. It may also help to understand whether there are alternative approaches to asset management and whether these can be identified and classified through a simple typology of asset management.

In order to investigate these hypotheses it is necessary to understand:-

- What factors influence the adoption of asset management in municipalities?
- What is 'best practice' in asset management and how this can be measured?
- What are 'good' asset management outcomes and how these can be measured?
- What are the facilitators and barriers to asset management?
- What common characteristics are associated with successful asset management?

The robustness of these questions can be examined through a comparative analysis of the UK and Russia which are perceived to be at different levels of maturity in the implementation of asset management and which have differing capacities and traditions in municipal property management. As Kaganova and Nayyar-Stone (2000) argue developed countries and countries in transition are at different stages in development of asset management. Whilst UK local government is perceived to be at the forefront of asset management, Russia as a country in transition is assumed to be less advanced.

Bertovic et al (2000) remark that the processes of transition have lead to frequent changes in the content and size of municipal asset portfolios and they

argue that reform processes have lead to incomplete asset inventories; problems in the development of knowledge and skills in asset management and hence in the asset management capacity itself within local government. This comparative element of the study draws upon the researcher's own UK based practitioner expertise and also builds upon earlier research work undertaken to compare municipal property management in UK and Russia.

1.4 Research Scope and Assumptions

Some commentators, such as Woodhouse (2001), argue that property asset management, which is the focus of this thesis, has borrowed many of its concepts and principles from infrastructure asset management which, in the UK, was introduced as a consequence of the privatisation of the utility sector and rail networks. The regulatory regime for these industries required a sound business case to secure investment based on a robust appraisal of the condition of the asset base and the risk of asset failure.

Whilst there are similarities between the two disciplines of infrastructure asset management and property asset management there are also some significant differences. Infrastructure asset management is principally concerned with 'networks' which are often invisible or less visible to consumers than 'buildings' which are the focus of property asset management. Networks are invariably single purpose concerned with transmission of some form, whereas buildings can be multi-purpose or multi-functional over time as their use changes. There is also often a wider social or community purpose associated with buildings, which is not so evident with network infrastructure, and as a consequence of these buildings can be seen as more of a political issue.

Within infrastructure asset management the Institute for Asset Management (IAM) has introduced a publicly available standard (PAS55) which they hope will become a de facto standard for asset management as it provides recommended practice across all asset management sectors including both infrastructure and property. In addition it has introduced a Management Competency Framework which provides a statement of the skills and expertise required to underpin asset management. However because of the different basis of the two disciplines of infrastructure and property asset management it is unclear whether infrastructure asset management and property management will take a divergent or convergent path in their evolution. Whilst this is an interesting line of enquiry this is outside the scope of this research which is restricted purely to the discipline of property asset management. It should be recognised however that what this thesis reveals about property asset management may also have relevance to infrastructure asset management.

In order to provide adequate depth to the research its scope has been restricted to consideration of local government operational and non-operational property assets, which are used to provide services; rather than those held for other reasons such as for housing. It is acknowledged however that despite this restriction the research findings may be applicable more widely to both the public sector and the private sector. Indeed the arguments developed through the research can be applied more generally to all types of organisations and all types of property portfolios. This restriction in scope also recognises the specific focus being placed on asset management through central government policy in the UK specifically; and more generally on municipal government internationally through evolving local government

reforms. There is evidence to support the view that local government has distinctive issues to address in relation to asset management and that its evolution and stage of development is different from that of the wider public sector and private sector.

The research is focussed on ***asset management*** which is an emerging activity and professional discipline within local government. This is in itself problematic, as the term is difficult to define precisely and to distinguish from a range of activities that assume the same term and from the more traditional property management activities undertaken within local government. Whilst there is an intuitive understanding of the term asset management this is considered in some depth in Chapter 3 as an aid to clarifying the research scope more precisely. For the purposes of this thesis a definiotion for asset management is assumed which is that it is concerned with managing public property strategically so as to optimise its benefits for the community. Where the term asset management is used it should be stressed that it is being used as a shortened form of the term municipal property asset management as the focus of the research is on municipal land and buildings rather than wider infrastructure assets.

1.5 Structure of Thesis

The thesis is organised in six sections. This section has provided a brief context to provide a rationale to the research and also highlighted the principal research focus, scope and assumptions.

Section 2 provides a literature review focused on several key areas. The nature of municipal property is examined in Chapter 2 which concentrates on asset

management as policy, with a description of its scale and nature; the central role it plays in local government activities and how its management has been changing in response to the strategic environment in which local government operates. The differences in local government property in the UK and Russia are examined as an indication of the nature of municipal property management in developed countries and countries in transition. There is also a commentary on the origins and development of asset management identifying the key influences in its development and examining the differing international perspectives on its emergence as a distinctive activity. Finally there is a commentary on its maturity as a discipline and an analysis of its current status in developed countries and countries in transition in general, and in the UK and Russia specifically as the focus of this research.

Within Chapter 3, which is concerned with asset management theory and practice, the meaning of the term asset management is explored and the problematic nature of its definition discussed. Asset Management is examined from a variety of perspectives including in a literal way, from current definitions, through the views of practitioners and from a public and private sector view. It is argued that the lack of a clear conceptual model to define asset management inhibits its implementation and implies the need for a new analytical framework in which to evaluate it. A review of existing best practice guidance on asset management is presented with analysis of the deficiencies inherent in these. Existing models to describe asset management are explored and the need for a new analytical framework to describe it identified. Finally, the summary to the literature review identifies some ambiguities and contradictions in asset management.

Section 3 describes the methodological and analytical approach to the research. Chapter 4 describes the overall research methodology including the process of developing a new analytical framework for asset management the need for which is implied by the literature review. Key issues in the research design are discussed and the rational behind the adopted approach of an extensive survey of several organisations, followed by an intensive survey of a few organisations explained. The considerations relating to data collection and analysis are examined as are the benefits and limitations of the case study approach.

Chapter 5 presents a new analytical framework for evaluating asset management in local government. The need for an analytical framework was identified through the literature review and the purpose of the framework is summarised and models to measure why councils do asset management (rationale), how they do it (practice) and what they achieve (outcomes) are presented. The relationship between these models provides the mechanism to evaluate the overall research hypothesis and is also used to advance a broad 'typology' of asset management to classify councils in terms of asset management. The development process and rationale for the models is explained and their limitations are also identified. An explanation of the new analytical framework given in Chapter 5 is provided after the discussion of the overall methodology as this fits more logically with the sequencing of the research activities undertaken and the field work. It is felt that a description of the analytical framework immediately preceding the discussion of the extensive and intensive survey work where the framework was applied will aid the reader's understanding of findings revealed through the field work.

Section 4 discusses the findings from the fieldwork. Chapter 6 presents a broad analysis of the research questions derived from applying the analytical framework at eighteen case study organisations in both the UK and Russia, chosen to provide a mix in terms of size, status and perceived maturity in asset management. This extensive survey of many organisations identifies the issues and questions emerging from initial field work framed as 'key lines of enquiry' which are then explored in further depth through the intensive case study.

The findings from the intensive survey of three councils are discussed in Chapter 7. This provides greater depth to the analysis of the research questions examined in a smaller number of organisation selected from the extensive survey on the basis of significant areas of interest and also examines changes over time at one case study organisation and discusses what this reveals about the implementation of asset management. In particular the intensive survey and longitudinal survey focus on four key lines of enquiry which were identified from the extensive survey phase as being critical in underpinning effective asset management.

Section 5 provides an analysis of findings and conclusions arising from the research. Chapter 8 specifically addresses findings in relation to the primary research question, identifies what has been revealed through the case study work; and places the research findings into the wider debate on asset management and public administration. Chapter 9 discusses the contribution the study has made to the understanding of asset management and identifies areas for further research. Finally, chapter 10 presents a brief overall conclusion to the thesis drawing together the key findings into a concise

explanation of what the research has revealed against the original hypothesis posed earlier in this chapter.

Finally, Section 6 contains a bibliography and a set of appendices which provide amplification of the main body of the thesis or supporting material.

1.6 Original Contribution of the Research

This thesis makes an original contribution in the field of asset management in several areas. It complements the existing literature on asset management in local government by presenting an alternative practitioner insight based on the understanding gained through case studies at a range of municipalities. It also presents an alternative conceptual framework with which to explore asset management and promotes the idea of a broad typology with which to describe approaches to asset management. Within this analytical this framework it provides three models to measure why organisations do asset management, how they do it and what they achieve. The research also includes some international comparative work looking at differences in the UK and Russia which are at different perceived levels of maturity in asset management and in doing so responds to a deficiency in international comparisons in asset management highlighted through the literature review. The research reveals a number of 'change factors' which are characteristic of those organisations which have progressed furthest from a traditional form of property management to asset management. Finally the thesis identifies further areas for research.

SECTION 2

LITERATURE REVIEW

CHAPTER 2

Policy and Resource Influences on Asset Management

2.1 Introduction to the Literature Review

Section 1 defined the research scope and focus of the thesis by identifying asset management as an emerging discipline within local government; but one still in its infancy with some unresolved ambiguities over its purpose, scope and outcomes. The linkage between rationale, practice and outcomes in asset management it was suggested could provide a mechanism to understand the change factors in the evolution of asset management and with which to categorise organisations according to their approach and maturity in asset management. This section, which comprises two chapters, provides an overview of literature in the field of asset management, relating it to the research questions identified in the preceding section.

Literature on asset management within the public sector is limited but growing. This is especially the case argue, Kaganova & Nayyar-Stone (2000), for countries in transition because of limited donor-sponsored research into public sector asset management. There has only been minimal examination on its origins and rationale in local government and in the view of Gibson (1999) inadequate discussion on the meaning, scope and purpose of asset management. Most recent literature has been in the form of practice guidance; but this has been subject to only limited critical review. Examination of the linkages between rationale, practice and outcomes and the nature of change factors influencing the transformation of asset management from property management which is the focus of this research has, in Morgan's (2004) view, been limited. International comparisons on the development and state of asset

management have been restricted to a few significant publications and Hentschel & Utter (2006) suggest there has been limited international comparative research.

This literature review seeks to frame the research by providing a broad analysis of asset management in local government identifying its embryonic nature and the challenges facing its development. The literature review is presented as two chapters. This chapter provides a review of asset management from a policy and resource perspective. It discusses the scale and nature of municipal property and why it is important to local government. It seeks to explain the origins and rationale behind the emergence of asset management, provides an international perspective on its development and a commentary on its maturity as a discipline. It also identifies differences between municipal property management in developed countries, such as the UK, and countries in transition, such as Russia, which provide the comparative element to the research.

Chapter 3 reviews asset management from a theory and practice perspective. It seeks to provide a greater understanding of asset management through discussion on its scope, purpose and nature and how it differs from similar activities such as property management from which it has evolved. It uses the views of practitioners and experts to explore the scope and nature of asset management. The Current guidance on, and models of asset management are reviewed, and the chapter concludes with a discussion on why and how to do asset management, its critical success factors and identifies the need for a new analytical framework in order to describe it.

The range of literature reviewed whilst comprehensive is by no means exhaustive. This section therefore is intended to provide an analysis of the key themes and issues in municipal asset management pertinent to the focus of this research rather than a comprehensive review across the broad spectrum of activities embraced by the term asset management. It is directed to answering six questions. These are: where did asset management originate from, why is it assuming greater importance and profile, why is it important to local government, what is it, what guidance models exist to describe it and what are its critical success factors?

2.2 Local Government and Property Management

Local government is a significant owner of property and property plays an important role for councils in delivering services. The range and types of properties held by local government is diverse. These are held for different reasons and have different on-going management objectives related to their ownership and use. As an asset, property is multi-faceted with some unique characteristics. Whilst there are both strategic and operational considerations related to its management, the strategic considerations have in the past been neglected relative to more day-to-day operational matters. Asset management as a discipline is focussing on these neglected strategic considerations.

2.2.1 The Scale and Nature of Municipal Property

Many commentators including the Audit Commission (2000), Fernholz & Fernholz (2006) and the 4Ps (2007) have remarked that local government either owns or uses, and thus manages, substantial amounts of property. Whilst there are often wide variations in the figures used to quantify the public sector asset base all identify it as being significant. In some cases Kaganova &

Nayyar-Stone (2000) argue this can be nearly all assets in an administrative area. Published accounts show local government owns property assets worth billions. UK national accounts provide an overview of total public sector assets and according to Lyons (2004) these showed that such assets accounted to £658 billion; the largest proportion of these, 58%, being held by local government. McGinty (2005) identifies the UK local authority asset base as valued at over £400 billion for capital accounting purpose and contrasts this with the fixed asset base of one of the UK's principal retailers, Tesco, valued at 17 billion. McGinty (2005) also notes that the value of UK local government property is four times higher than its total annual revenue. The 4PS (2007) identify that local government consumes between £8 and £10 billion in direct property related costs per annum.

Howard (2004) writing on Australian local government describes it as a capital intensive industry and notes that many larger Australian councils could be recognised in the top 500 companies listings because of their property holdings. Despite the size and value of their holdings, councils, Howard (2004) remarks are not properly companies and have therefore not managed their assets in any commercial sense. Many have large maintenance backlogs and the struggle to maintain and improve their assets can in Howard's (2004) view expose councils to legal, financial and operational liabilities.

Similarly, writing about Australia Burns et al (2001) identify that local government manages over 8 billion Australian dollars of public assets and spend 7% of their revenue budgets on renewal. They argue that this figure should be increased to 19% of revenue simply to stop depreciation of assets due to under-funding on repairs and renewals. Shah et al (2006) write that the

amount of built assets in Canada is increasing at a rate of approximately 100 billion Canadian dollars per year. As a result of this growth Canada has established a total stock of building and construction infrastructure with an estimated value of more than 2.94 trillion Canadian dollars.

Daniellian (2002) writes that Russia has seen wide scale '*municipalization*' of property as part of its reform processes. As a result he identifies that local government in Russia is an important property owner with over 40% of public property belonging to municipalities, representing 16% of the countries total capital funds. The sheer scale of municipal property in Russia was Vetrov & Lantsev (2007) write one reason the 2003 Federal Law on General Principles of Local Self-Governance Organisation in the Russian Federation was introduced. This law obliged municipalities to dispose of property not essential for core services even in cases where they were generating income from external rental.

Using an alternative dimension to illustrate the scale of municipal property Haugen (2004) identifies that typically municipalities in Norway have between five and seven square metres of floor-space for each inhabitant. Similar figures which indicate the scale of local government holdings can be readily expected for many countries across the world.

Ashworth (2000) argues that in practice even such valuation figures represent an underestimate of the real value of local government property because of the basis of valuation. Although local government is required to show the 'book value' of property assets for capital accounting purposes this, Ashworth (2000) and the Audit Commission (2000) writes, represents the replacement costs of buildings rather than real market value and thus its true value is not known.

The physical manifestation and distribution of municipal property is easily under-estimated. Nearly every major settlement in every country is likely to have a municipal property within its environs and people across the world are likely to pass by, or use a municipal property, nearly every day of their lives. Expressed in this way it is simple to see the scale, importance and impact of municipal property on communities. As Fernholz & Fernholz (2006) suggest this scale of assets under their control provides municipal government with a basic challenge; how to manage their portfolio of assets most effectively for the communities they serve and to meet both short and long term council objectives. However, whilst local government owns significant amounts of property it has Deakin (1999), Bertovic et al (2000), Carter (2000) and others remark generally been amongst the least used or managed of its resources.

Municipal government owns a variety of properties for a variety of reasons. Writers such as Kaganova & Nayyar-Stone (2000) have advanced frameworks to categorise such assets by type with management objectives related to these. Kaganova & Undeland (2006) point to the need for such categorisation as a pivotal requirement linking asset management with the role of municipalities and providing the basis for rational decision making on property matters. They point to a model developed by the city administration in Denver, Colorado, which classifies property into three types: those required for mandatory functions, those required for discretionary functions and surplus assets; as a robust framework for use in local government.

Kaganova & Undeland (2006) also argue a formal policy of determining the purpose of properties with management objectives is important. If applied

consistently they argue such a framework can help resolve problems that might result from trying to maximise benefit from properties and that classification helps to diffuse confrontation over decisions on assets as it focuses debate on property rather than the merits of any particular user.

The most comprehensive categorisation of property assets in a UK context is that articulated by the Audit Commission (1988). It identified four categories of asset, each of which have a reason for being held and thus specific management concerns. This gives a simple framework, generally applicable world-wide, which can be used as a tool to understand the composition of municipal property portfolios. The categorisation is summarised briefly in the table below but has been extended over the original Audit Commission approach to include other property types, such as those associated with property held for municipal enterprises, which Bertovic et al (2000) argue is a common feature of countries in transition where previously state owned property is being transferred into municipal and private ownership.

Table 1 - Categorisation of Municipal Property – from Audit Commission 1998

Type	**Examples**	**Key Management Issues**	
Direct Service	Schools Libraries Theatres	Utilisation Suitability Running costs	Acquisition Disposal Opportunity cost
Tenanted	Farms Industrial starter units Houses	Occupancy Rate of return (implicit subsidy)	Rent collection Rent arrears Capital subsidy
Administrative	Offices	Space utilisation Running cost	Opportunity cost
Municipal Enterprise	Business premises	Opportunity cost	Rate of return (or subsidy)
Investment	Commercial offices Shops / shopping centres	Return on capital Opportunity cost	Capital appreciation
Community	Open space	Alternative use Opportunity cost	Social benefit
Vacant or Surplus	Sites held for future use Buildings surplus to need	Length prior to use Alternative uses	Disposal speed Disposal receipt

Property plays an important role for local government in delivering services. It provides a primary role in supporting service delivery by providing a point through which services are supplied to the community. It provides a place for staff and citizens to work, meet, and use facilities. It also supports as commentators, such as Bertovic et al (2000) and Hentschel & Utter (2006) suggest, a wider role than simply supporting services. It projects an image of the council and it can act as a catalyst for the economic and social well being for an area.

This view is echoed by Burns et al (2001) who remark on a hidden economic and social link between municipal assets and wider community well-being. Carpenter et al (2006) suggest a good building, well designed and well maintained can attract people and business, act as a catalyst for regeneration and civic pride; but conversely poorly designed and maintained buildings may drive people and businesses away with the attendant consequences for the prosperity of an area. Cox (2007) identifies municipal reputation as an overlooked strategic resource with physical assets such as municipal buildings being a representation of the image of municipalities and thus a significant contributory element to its reputation.

The wider purpose of local government embraces Hentschel & Utter (2006) suggest a responsibility for creating a sense of place for residents and for improving quality of life through generating opportunities for employment and personal achievement. This wider social responsibility is related in part to the physical infrastructure of communities and as Brzeski & Kaczmarski (2002) imply there is a link between properties owned by municipalities and this wider infrastructure. How municipalities provide, maintain and use buildings

Brzeski & Kaczmarski (2002) argue can contribute to this infrastructure and thus the well being of the community in which they are positioned.

Property is a multi-faceted resource with specific, and in Morgan's (2004) view, some unique characteristics. These characteristics have implications for its management. The multi-faceted nature has been identified by many, such as Gibson (2000), Burns (2002) and McDough (2002). These commentators argue that property can be viewed from a variety of overlapping perspectives, such as financial, physical and functional. From a financial perspective property costs money to acquire, use and maintain; has value and thus is an important consideration in municipal budgets. From a physical perspective, concerns, in Gibson's (2000) view, are about condition, facilities and useable space; whereas the functional perspective is concerned with the suitability of property and what it can be used for. The overlapping nature of these perspectives on property adds greater complexity to its nature and thus to its management.

The implication of the multi-dimensional nature of property assets, is Burns (2002) suggests that it complicates measures of outcome. There is thus, as Gibson (2000) and Burns (2002) write no simple, single or consistent way of measuring whether property assets are performing well which can be applied across all property types within organisations or across the portfolios of different organisations. This is because different organisations may place greater emphasis on one dimension over others for the portfolio as a whole or sub-sets of it. The importance of each dimension may also vary over time and as an organisation's objectives change. So for example, in times of budgetary constraint greater emphasis may be placed on the financial perspective of assets such as their value or running cost; whereas in times of changing

service delivery models greater emphasis may be placed on functional aspects, such as size, suitability and user satisfaction.

Physical assets like property have the Government of Victoria (1995) argue characteristics that make it inflexible. It is static, immovable and as Gibson (2000) argues because of this, and its long term nature, can only be purchased and consumed in large, pre-defined chunks. Whilst it has a long life, its physical life is as Burns (2003) identifies often different to its functional life. This difference in physical and functional life often causes problems in management terms when the physical structure out lives its functional use. This long life of property means in the Audit Commission (1998) view that the cumulative consumption of resources in order to acquire and maintain them in a useable condition is very significant.

Such factors make investment decisions by local government over property and their subsequent management an important financial consideration for municipalities for both their capital and revenue budgets. The long term nature of property also means the Audit Commission (1998) and Conway (2006) suggests that it is difficult to provide convincing proof of the right way of managing local government property. Property reforms take a long time to gestate and produce results with a time lag measured Conway (2006) argues in decades rather than years.

As a consequence of its complicated and long term nature few commentators have been able to define the 'best way to manage' property. Britton, Connellan & Crofts (1989) have suggested however that good management will focus around three factors. These they argue are the measurement of the use of

property in financial terms, the use of only the minimum amount of property needed to meet an organisation's objectives and the use of the minimum possible resources on the day to day management and use of property.

Morgan (2004) writes that property is a unique resource by being both a source and user of funds. It is a capital asset which requires a long term funding decision to be made and, at the same time, is an operational asset used by an organisation as a factor of production. It can both consume funds for its maintenance and use and can generate funds through lettings or through disposal. The Audit Commission (2000) notes that property is resource hungry and whilst identifying that there is no UK national data on property running costs the Audit Commission (2000) estimates that the average council spends 8% of its annual budget to run and maintain its assets. Given that most municipalities have significant backlog maintenance problems this average spend figure is the Audit Commission (2000) suggest most likely an under-estimate of what needs to be spent to maintain assets in reasonable condition.

Owning property also has many commentators, such as Deakin (1999) and Carter (2000) identify, an opportunity cost. This in simple terms means that retaining property ties up investment that could otherwise be directed elsewhere. Thus even when property running costs are relatively small, property the Audit Commission (2000) argues, is still consuming resources.

All these features of property: its value, its importance to service delivery and community well-being; mean, as many commentators have argued, it is a significant municipal resource which needs to be managed. Its management

however is complicated by its inherent characteristics of being a multi-faceted and inflexible resource, expensive and timely to acquire and maintain. Its long term and multi-faceted nature means it is difficult to determine a single optimum way of managing it or a simple measure of performance.

2.2.2 The Management of Municipal Property

As the Council of Europe (1998) write, municipal property management forms part of a broader field of public management which emerged as a distinctive discipline when municipalities assumed responsibility for the management of infrastructure and services in addition to their legislative and executive role. Now, the Council of Europe argues (1988), in nearly all countries municipal property represents a significant area of management concern.

The Audit Commission (2000) suggest that managing municipal property involves two broad strands of activity. These are strategic considerations over the number and type of properties needed and where these should be located; and operational considerations related to day-to-day issues around the maintenance of buildings and services required on a daily basis. In the past property management within local government the Audit Commission (2000) argue has tended to concentrate on the technical, operational aspects of property rather than its strategic dimension. This approach has been characterised as '*providing and maintaining*' property by Deakin (1999); as a '*stewardship*' role by Fernholz & Fernholz (2006) or a '*patrician and bureaucratic*' model of property management by Carpenter et al (2006).

This lack of consideration of property as a strategic resource has been because of as the Audit Commission (1998), in its landmark report on local government

property management, argues that local authorities have adopted a largely passive approach to property management tending to concentrate on service delivery rather than resource matters. Lyons (2004) characterised this approach as viewing property as an *'incidental resource'*. At the time the Audit Commission (1998) remarked that many authorities in the UK did not know what they owned or why they owned it; and few had any knowledge of the full costs of using property. The report argued that in the interest of promoting the best possible service delivery within finite resources it was important that spend should be kept to the minimum to provide adequate facilities and to protect the long term future of property.

The Audit Commission (2000) identified several reasons why councils in the UK have traditionally found it difficult to make best use of property. These factors also identified by Carter (1999 & 2000), DETR (1999 & 2000), CLAW (2001) include the fact that property was often not considered a strategic resource; the inability of councils to challenge why they owned property, lack of data on which to take management decisions on property, poorly defined procedures which tended to obscure accountability for property and political apathy to change. This phenomenon of property being considered at an operational rather than strategic level has been described by Bootle (2000) as '*Boardroom Blindness*'. The Audit Commission (2000) also argued that council senior officers and members lacked awareness of the strategic importance of property and had a lack of will to affect change. Lyons (2004) characterises this from a cultural perspective; as the '*asset base being seen as part of history and something councils are burdened with rather than part of a future strategy'*.

Jones & Smart (1999) write that property assets had not been given the

strategic attention they warrant in local government for a variety of reasons. These included a lack of government policy direction, because their management was traditionally seen as purely a technical matter, and because assets were viewed as inflexible and illiquid and thus not able to contribute to the annual financial or medium term political cycles of local government. These are sentiments echoed by Carter (2000) who also identified property as a neglected resource receiving little executive attention and with widespread ignorance of property costs, value or performance. Carter (1999 & 2000) argues that property was often considered as a fixed asset rather than a strategic resource. In Carter's views councils thus wasted money on assets that were not supporting services and had portfolios which contained properties where value for money was unproven or with many unused or underused properties, meaning opportunities for releasing value were missed.

Whilst these comments were written by the Audit Commission (2000), Jones & Smart (1999) and Carter (1999 & 2000) as observations on UK municipal property management, the same issues were reflected in local government worldwide, in the views of commentators such as Brzeski & Kaczmarski (2002), Kaganova & McKellar (2006) and Burns (2002 & 2003). In 2000 the Audit Commission argued for the introduction of asset management in the UK as a counter to this lack of strategic consideration of property on the basis that it was central to effective service delivery, tended to be expensive to acquire, inflexible to use, costly to run and thus needed to receive significant corporate attention. Although written as a commentary on UK municipal property management these comments from the Audit Commission were applicable world-wide as a common response to common issues.

2.3 The Origins of Asset Management

2.3.1 The Emergence and Rationale for Asset Management

The precise origins of asset management are hard to determine. Whilst Jolicoeur & Barret (2004), quoting Bulita (1994), identify the initial use of the term asset management as deriving from the mid to late 1960's; others, such as Kaganova and Nayyar-Stone (2000), point to its usage dating from the late 1970s or early 1980s. Worley Ltd (2000), in a report commissioned by the World Bank, provide a more precise analysis of its origins in the public sector relating it to structural reforms in New Zealand in the mid 1980s designed to improve the internal efficiency of the economy. Despite the lack of precision on the date of its origin, there is a coincidence of views by commentators which suggests that it is a concept developed initially in the private sector and adopted subsequently by the public sector and that asset management, whilst a distinctive discipline in its own right, is an evolution from a more traditional form of property management.

As noted earlier, the Audit Commission (1988) suggest local authorities have in the past adopted a largely passive approach to property management, concentrating on service delivery and largely ignoring property as a significant resource. The Federation of Canadian Municipalities (2003) in their National Guide to Sustainable Municipal Infrastructure echo this view, suggesting that historically most municipalities have taken a reactive rather than proactive approach to the management of their assets; maintaining only when required, rather than planning for their long term maintenance and replacement.

This traditional approach characterised by Fernholz & Fernholz (2006) as one of '*stewardship*' has changed however, and this change has been driven by a

number of related resource and policy factors which in combination have emphasised the need for asset management. Such factors, identified by commentators including Ashworth (2000), Burns (2002), Jolicoeur & Barret (2004), are summarised briefly below. The resource factors can be considered universal, to a lesser or greater extent, to local government across the world. The policy influences, whilst more specific to individual countries, also have a degree of commonality world-wide.

In many cases municipal buildings are old, nearing the end of their service life and no longer fit for the purpose for which they were originally intended and therefore require replacement. Jolicoeur & Barrett (2004) write that the inability of public institutions across the world to fund building infrastructure renewal is well documented. Worley Ltd (2000), for example cite infrastructure decay with maintenance costs assuming higher proportions of municipal budgets as a catalyst prompting the introduction of asset management in New Zealand. Earlier, in the UK, a land mark report by the Audit Commission (1998) identified a growing concern about the physical deterioration of local government buildings due to a legacy of under-investment in maintenance. The Audit Commission of Wales (2005), reporting more recently, highlighted that this maintenance legacy was still present with revenue and capital spend representing only 22.3% of urgent and essential repairs out of a total maintenance backlog of £757 million.

Lyons (2004) argues that the nature of demand for public services is changing with clients increasingly expecting local government services to be provided in different ways, at different times and in different locations. These expectations of better services also relate to better quality buildings, which are modern,

accessible, clean and safe. Lyons (2004) asserts that as public services evolve against a background of rising expectations then so the asset base which underpins public service must also change. The asset base therefore needs to be managed effectively to support this evolution.

Governments have increasingly imposed stringent requirements in relation to health and safety, the environment and service standards. Such regulatory changes have an impact on existing municipal buildings requiring remedial works. Beasley (2004) argues that municipalities increasingly need to exercise diligence in their management of public infrastructure. Stringent legislative requirements, particularly for health and safety and self-insurance, have prompted councils to demonstrate at least a minimum degree of due diligence over building use and standards. Beasley (2004) argues that failure of councils in Australia to manage their assets from a safety perspective has been one reason for increasing public liability insurance premiums to Councils.

The need for councils to demonstrate a defensible position in terms of allocation of resources for preventative inspection and maintenance of assets to minimise injury, death or property damage has, in the view of Beasley (2004), been a driver for the development of asset management in Australia over recent years. This view is reinforced by the Australian Local Government Association (2001) which argues that a major influence on asset management in Australia was a high court decision to remove immunity for prosecution for councils in respect of roads, bridges and footpaths, requiring councils to demonstrate they were correctly allocating resources and deriving best value from limited funds. Whilst this high court decision was not about municipal property its possible subsequent wider application to property was recognised.

Ashworth (2000) argues that increasingly the public is demanding greater accountability and transparency of decision making in local government. This reflects on to their acquisition, use and disposal of property so that there is understanding of what is happening, at what cost and for what purpose. Ashworth (2000) suggests this need for transparency may become greater as council's conflicting roles as both a property owner and regulator may become viewed as problematic. He argues that local government sometimes acts as a regulator restricting what others can do with their assets. In some cases they are purchasers of assets from others trying to exploit their assets and in some cases will try and regulate their own exploitation of assets.

Changes in demography can lead to changes in the quantity and type of property required for municipal services. It can also affect the funding base of individual councils and thus their ability to provide or maintain infrastructure such as municipal buildings. The Institute for Urban Economics (2005) suggest, in the context of Russia, many cities may face a challenge from the fast depopulation the country faces nationally. This challenge may be in the form of removing redundant infrastructure assets rather than their renewal. At the other extreme in areas of population growth there is a need for municipalities to provide new infrastructure for expanding council services.

As the role and nature of local government changes so private sector companies will increasingly Ashworth (2000) argues seek to provide the services traditionally provided by municipalities. This era of competition may extend into property related professional services and ultimately the acquisition, ownership and disposal of assets. Whilst recognising that this may take time and require a change in the prevailing culture which prizes

ownership and control of assets, Ashworth (2000) argues the changing operating environment of local government may ultimately mean that it becomes largely asset free.

Increasing use of technology is changing the shape of municipal services allowing these to be provided in different places at different times and in different ways. This may have an impact on the volume and type of accommodation needed in the future. This has been the case in UK local government over recent years with a downsizing of administrative properties as councils embrace flexible working practices.

Despite fluctuations in its levels of funding local government has increasingly needed to operate in an environment of public expenditure restraint where the need to secure operating efficiencies and reduce costs is important. The ownership, use and on-going costs and liabilities of property assets provide an important focus in the search for efficiency savings. As Bertovic et al (2000) suggest this pressure to do more with less financial resources has been a stimulus to asset management. Kaganova and Nayaar-Stone (2001) and Kaganova & McKellar (2006) for example identify that a significant impetus to the development of asset management has come from recognition of the vast wealth tied up in public sector assets, and the income, cost savings or capital that could be released through changing management practices. Similarly Lyons (2004) argues that in the UK local government has been driven by an ambition to respond to the diverse needs of their communities, the efficiency drive which requires council's to demonstrate better use of assets and pressures to limit Council Tax rises.

These causal influences of maintenance legacies, rising services standards, socio-economic changes and scarce public funds on the emergence of asset management are echoed by the Government of Victoria (1995) in introductory remarks to their asset management guidance. They suggest that '*managers of public assets face a range of challenges from technological advances and social change, to rising expectations in, and diversification of community needs'*. Such pressures have influenced demand for assets and in combination with scarce capital funds have prompted greater use of commercial practices including asset management principles within the public sector. Jolicoeur & Barret (2004) concur arguing that asset management in the municipal sector has been of growing importance as municipalities are faced with declining budgets but growing liabilities for property maintenance and also with need to provide suitable accommodation for changing service patterns.

Interviews with practitioners within the UK as part of this research indicate that the emergence of asset management as a distinctive discipline has also in part been reinforced by practitioners themselves who have seen it as an opportunity to raise the profile and nature of their existing professions. The relative importance of professional and practitioner bodies as a stimulus to asset management exerted through peer pressure, exchange of practice and the desire to improve their image is an intriguing line of enquiry to examine; although outside the scope of this research.

Some commentators have argued that public sector asset management can be seen as a parallel trend to corporate real estate management (CREM) in the private sector, with CREM advancing first in the private sector and asset management being adopted subsequently in the public sector. Deakin (1999)

draws such a parallel between the rise of asset management in the public sector with that of CREM, which others, such as McDough (2002), Gruis and Nieboer (2004) have suggested is the private sector equivalent to asset management. Gruis and Nieboer (2004) comment that asset management is a relatively new concept in the field of social housing and argue that it stems from the private sector. Quoting Joroff, Louargand, Lambert & Franklin (1993), Deakin (1999) suggests real estate represents the corporate entity's last under-managed resource. CREM, he argues, developed from a need to respond to mergers, outsourcing and down-sizing in the business world. These transformations in the commercial sphere lead to promotion of CREM in general; and increasing recognition of property as a strategic resource in particular. Asset management in the public sector Deakin (1999) argues is thus an echo of this earlier transformation in the private sector.

Deakin (1999) provides a useful mechanism to describe this transition from property management to CREM in the private sector. In simple terms the classification is described in Table 2 overleaf and Deakin (1999) identifies stage three, the *'deal maker'*, as the start-up of CREM. Deakin (1999) also identifies the cultural and organisational changes that have been reflected through this transition of property management to CREM. He characterises these as a change from the '*command and control of the planned administration of landed estate*' through hierarchical organisational structures with '*a strict separation between managerial and technical disciplines*' to a '*more collaborative, multi-disciplinary approach with flatter horizontal organisational structures'* and where technical skills are blended with business planning, communication skills and improved customer focus.

Table 2 – Evolution of CREM from Property Management in Private Sector)

Stage	**Description of Approach**
Taskmaster	Supplies the need for physical space
Controller	Satisfies management need to minimise real estate costs
Dealmaker	Solves real estate problems in a way that creates financial value
Intrapreneur	Operates like a real estate company
Strategist	Anticipates business trends – contributes to value by focussing on organisational objectives rather than real estate on its own

These changes in organisational culture associated with the emergence of asset management have been identified by others, such as York Consulting (2002), who in a review on the implementation of asset management in UK local government emphasised both the need for, and progress in, a change to a more commercial and corporate organisational culture. The changes in approach, attitude and the necessary skills required for asset management whilst outside the scope of this research is an area worthy of examination as discussed in chapter 9.

Haugen (2003) writing on municipal property management in Norway comments on changing organisational models for property within the last fifteen years. These Haugen (2003) summarises as a development from a traditional decentralised model through a partially decentralised model, to a fully centralised model and also includes a client-supplier model as well as municipal enterprises and share holding companies. Whilst not making a direct linkage between such changes and the emergence of asset management the coincidence of timing implies that there may be some likelihood of correlation between both transformation trends. This is a view echoed by

Miciunas (2002) who reflects on a new organisational model associated with asset management based on an internal capacity which is strategically focussed supported by external resources which are operationally focussed.

A simple, summary analysis is that asset management has emerged as a result of a public sector operating environment where funding is scarce relative to investment needs for new and existing infrastructure. This has required a long term sustainable view of how to provide and maintain infrastructure. Whilst asset management cannot resolve this funding issue it can provide as Jolicoeur & Barret (2004) suggest a coherent approach to the allocation of scarce resources so that the benefits of any spend is optimised.

Asset management, thus in the view of many commentators, can be seen as a response to wider resource pressures facing local government, represents a more strategic focus on property as a valuable resource, is an evolution from a more traditional form of property management and has required a change towards a more entrepreneurial culture.

2.3.2 Asset Management and New Public management

As Ashworth (2000) and Conway (2006) suggest the reform of property management and the emergence of asset management within local government has not been an isolated process; but can rather be seen as part of broader reform processes in many countries termed New Public Management (NPM) and intended to improve the efficiency and competitiveness of the public sector, as well as national economies as a whole. Mascarenhas (1993) characterises these reforms as representing a radical shift from a public service whose purpose was to promote welfare to an enterprise culture based

on efficiency and economy. The NPM reforms were, Mascernhas (1993) argues, a response to excessive state intervention with an emphasis on the market as an instrument for efficient resource allocation and for reducing the role of the state in the economy.

The emergence of asset management in the UK argues Ashworth (2000) can be seen simply as a single strand of this much wider reform of public services which has effected local government in terms of its structure, its culture, and its service delivery methods. Conway (2006) similarly states that the prime motivation of the wider reform within which asset management emerged was an underlying concern in the Australian context of ensuring competitiveness in the global economy and the desire to make it more accountable to its citizens. The need to make government in its widest sense more efficient and effective whilst strengthening its financial position was Conway (2006) argues the force that determined the priorities of asset management reform.

As Polidano (1999) suggests NPM has come to dominate thinking about public sector reforms by practitioners and academics alike. He suggests that some have hailed NPM as a new paradigm with NPM reforms being a common response to common problems which included as Mascarenhas (1993), Polidiano (1999) and others have identified as declining budgets, public hostility to government and disenchantment with the quality of public services, and the imperatives of globalisation forcing economies to improve their competitiveness. Whilst there are different interpretations of what the common responses consists of there is a general consensus Polidano (1999) argues around key components such as conversion of public sector departments into free standing agencies, performance based accounting and

competitive mechanisms such as contracting out or internal markets.

One of the features of NPM is as Larbi (2003) identifies a shift in public administration focus away from a concentration with inputs and processes to that of outcomes. There has thus been a greater emphasis given to the quantifiable measurement of performance and financial outcomes as part of NPM. However whilst asset management can be seen as one strand of the NPM reforms it also contains a contradiction. As chapter 1 implies, there is a reliance on the adherence to best practice as a proxy measure for asset management outcomes, which is in contrast to the focus on quantifiable outcomes which is a central philosophy underlying NPM.

2.3.3 Asset Management and Local Government Performance

Increasingly a link is being made between asset management and the improvement in performance of local government. A Letter from the Department of Communities and Local Government (CLG) to Chief Executives in England links better asset management directly with improved value for money and better public services. In this letter the CLG (2007) state that *'more effective use of the asset base links directly with the National Improvement and Efficiency Strategy'*. The CLG (2008) strategy for asset management identifies asset management as part of the National Improvement & Efficiency Strategy (NIES), which is about supporting improvement and efficiency within a local area. Similarly the 2007 Comprehensive Spending Review (CSR07) reinforces the message set out in the Lyons Review concerning greater exploitation of under-used assets and disposal of assets no longer required for services. Lyons (2004) identified savings could be made from running costs and generation of capital receipts. The CSR07 placed a requirement on local

government to make £4.9 billion of cash-releasing efficiencies by 2010/11.

The RICS (2008) in its series of guidance leaflets on asset management argue that effective asset management plays a major role in delivering better outcomes for citizens and in creating a sense of place. They also argue that asset management contributes to the delivery of the local vision and priorities for an area. A specific question in their checklist for rating council's approach to asset management concentrates on the customer experience of using municipal buildings.

Padwick & Brett (2004) write that public sector performance and confidence in public services are inextricably linked, and that property underpins this linkage. They argue that physical infrastructure is essential for supporting the technology, business processes and cultural change required to raise a council's performance. This importance of physical infrastructure has been recognised by others. Government Minister Yvette Cooper writing in 'Re-inventing the Town Hall' says

> *'Shoddily, ill-conceived or run-down buildings lower the morale of everyone that has to use them and undermines confidence in our public services. Beautiful, open, efficient, long lasting public buildings, by contrast, have been shown not just to save on running costs, but to boost productivity and well-being'*

This link between property, organisational health and effective local services is summarised succinctly by Padwick & Brett (2004) as shown in Table 3.

Table 3 - Property, Organisational Health and Effective Public Services

Customer perception	Public buildings engender confidence that an organisation is capable and professional and are a strong influence on customer's experience of interacting with the public sector
Access to Services	The physical location and design of buildings is an important determinant of accessibility
Staff Issues	A poor working environment can be de-motivating to staff and contribute to staff turnover; whilst conversely a good physical environment sends a message that staff matter
Efficiency	Underinvestment in asset management and planning can lead to wasted space and higher costs, diverting resources from corporate and service priorities
Community Regeneration	Strategic management of investment through property can provide opportunity to facilitate regeneration initiatives

As Cox (2007) argues, evidence that asset management is increasingly seen as a barometer of organisational performance and efficiency can be seen through guidance for the Comprehensive Performance Assessments (CPAs) to which all councils are subjected. The Audit Commission (2005) suggest how a council manages its assets will have an impact on how external auditors view a council's approach to delivering value for money. Increasingly external inspections of councils in the UK through the CPA and recently the Comprehensive Area Assessment (CAA) regime are examining the use of resources such as property; and use and management of property has a wide-ranging influence on such inspections. This link between council performance and property is shown in Table 4.

Since its emergence as a distinctive discipline asset management has been associated with local government performance. Initially this focussed around annual cost savings or releasing the capital value locked up in assets and these were identified as the principal benefits of asset management by DETR (2000) and others. The RICS (2008e) identified the importance of the visibility

of property asset costs in ensuring value for money and in their guidance leaflet the RICS (2008e) identified a 'top ten' of efficiency areas to which asset management can contribute. More recently the linkage with performance has also embraced wider aspects such as supporting organisational transformation and community regeneration. Even as asset management is emerging as a discipline its role is evolving. Godden (2007) identifies these as three stages in the evolution of asset management with each successive stage broadening its role and providing a broader perspective on the linkage with local government performance.

Table 4 - Council Performance & Property - after Padwick & Brett (2004)

Ambition	A transformational approach to property is evidence of a desire for radical change and service improvement. Asset management demonstrates commitment to delivering on a long-term ambition, rather than a focus on quick fixes.
Capacity	As above capacity at a strategic level in managing its property portfolio is indicative of a similar capacity across the broad range of local government activities.
Performance Management	Management of the asset base can support wider organisational performance management targets for service improvement through provision of better facilities, the release of capital and lower running costs
Achievement	Asset management involves setting / meeting key targets which underpin the councils priorities for the communities they serve
Investment	Asset management involves re-cycling assets (through releasing value) and identifying new funding opportunities

2.4 An International Perspective on Asset Management

2.4.1 Global Trends in Asset Management

The literature on asset management from the perspective of international comparisons is, Hentschel & Utter (2006) argue, limited. Whilst from this limited existing literature it is hard to determine a comprehensive picture on the development and state of asset management internationally, some broad

generalisations are revealed through the literature that does exist, which point to a growing interest in asset management, but differences in approach with an uneven pattern of development.

Worley Ltd (2000) identifies structural reforms in New Zealand during the mid 1980's as the context within which asset management emerged. These reform influences Worley Ltd (2000) suggests included privatisation of public assets, re-organisation of local government to make it more accountable, opening protective public sector practices to competition and a drive for efficiency savings within the public sector. Specifically, in the municipal sector, key influences on asset management were legislative reforms requiring transparent financial management, the adoption of accrual accounting techniques and recognition of depreciation and replacement of assets in the accounts.

Downey et all (2006) echo Worely's view of structural reform in New Zealand as a driver for asset management. Its implementation in New Zealand which is considered one of the most advanced reformers in asset management, Downey et al (2006) argue, was driven by the common factors of NPM, coupled with recognition of the financial benefits of asset management in an era of financial constraint. Downey et al (2006) argue that current common legal and institutional arrangements for managing state property are the result of a combination of factors dating from 1984. At this time economic recession and a political crisis prompted the election of a new Labour government committed to reform. These reforms led to privatisation of large parts of state owned trading departments, reorganisation of government ministries and agencies to distinguish between policy, service delivery and regulatory functions, introduction of performance measurement and a shift in focus from input to

defined outputs.

Whilst not undertaking the major structural reforms of New Zealand, Australia also sought to improve efficiency through commercialisation and privatisation. In the Australian context an environment which sought to regulate the price of municipal services allied with rigorous accounting for assets in municipal balance sheets was a stimulus to the introduction of asset management. Burns (1999) identifies high interest rates of the late 1980s and early 1990s, greater emphasis in financial reporting and competition policy as major influences on raising awareness on infrastructure renewal. In both countries, Worley Ltd (2000) notes, professional bodies such as the Institute of Municipal Engineers in New Zealand, provided impetus to asset management through the promotion of national standards.

Woodhouse (2001) draws an alternative, but not inconsistent view, of the origins of asset management relating it to safety-critical industries such as oil, gas and aviation and also to the utilities sector. Woodhouse (2001) argues that the asset management disciplines have generally emerged from theses highly structured and regulated industries and spread from these to the public sector asset base of local government.

Burns (2002) argues that asset management within the USA and Canada has been driven by municipalities themselves. In contrast to Australia, New Zealand and the UK, councils in the USA have, Burns (2002) suggests, access to sales as well as council taxes. Ratepayers have to directly vote the extra taxes and they are reluctant to do that for purely preventative asset management reasons. As a consequence Burns (2002) states councils wait

until serious asset deterioration is obvious before approaching their communities to vote. This funding dilemma is indicative Burns (2002) writes of asset management in North America with the quality of infrastructure now in serious decline as implied by the increases in community tax referenda recently.

Worley Ltd (2000) write that the development of asset management practice in the UK originated in the water industry which after privatisation in 1982 operated in a commercial, but regulated environment. Water companies were required to develop strategic asset management plans which contained their investment needs and which were audited by the regulatory body for water utilities. This requirement lead to the development of robust business cases in order to justify expenditure plans. Many of the early practices in the UK water industry were subsequently adopted Worley Ltd (2000) suggest by public agencies in Australia and New Zealand and also provided the basis on which subsequent guidance to UK local government was based.

In the UK an initial stimulus to asset management in local government was also given by the Audit Commission in 1988 which noted that property in local government was a hidden resource and largely under-managed. The Audit Commission report of 1988 was regarded as a landmark report introducing asset management as an imperative for the future and focussing on this rather than more technical matters. The report highlighted several issues which reflected the influencing factors on the emergence of asset management highlighted in the preceding section.

This initial stimulus to asset management in UK local government was boosted

by a research report commissioned by the Department of Transport, Environment and the Regions (DETR) on the state of asset management in local government. This followed the 1998 White Paper '*Modern Local Government – In Touch with the People*' and was also related to the requirements of Best Value under the Local Government Act of 1999 and the proposals for allocating a 'single pot' of capital on the basis of need and performance; both of which emphasised the importance of the strategic management of property assets. A research report by DTZ Pieda Consulting (1999) identified several deficiencies in local government practice arguing that asset management was poorly developed, limited performance measurement was being undertaken, data systems were weak and that there was inconsistency in the categorisation of property assets across local authorities.

The wholesale adoption of asset management in UK local government became a requirement under the Single Capital Pot regime introduced in 2001 with each council being required to submit their asset management plans to their government regional offices for assessment against defined criteria in the 'Good Practice Guidelines' issued by the DETR in March 2000. The DETR (2000) report noted that the concept of asset management did not develop during the late 80's and early 90's as the management of property was seen simply as a technical matter and property as an illiquid and inflexible resource. The focus on asset management in the UK emerged through 90's as the public sector became increasingly concerned with optimising the use of resources and as a result of policy direction from central government.

This obligation to undertake asset management was reinforced by a subsequent round of the Capital Pot and by guidance issued in 2005 by the

Royal Institute of Chartered Surveyors (RICS) as the professional body of property practitioners and subsequently by the requirements of the 'Use of Resources' component of the Comprehensive Performance Assessments (CPA) to which all councils are subject. The emphasis on asset management in UK local government has been reinforced by publications such as the RICS Practice Guidelines in 2008 and the CLG Asset Management Strategy for local government which have emphasised the importance of asset management.

There is a lack of background literature about municipal asset management in developing countries or countries in transition. This Kaganova et al (2000) suggests is in part because of limited donor-sponsored research into asset management in the public estate. What little literature there is tends to be practice guidance issued by agencies such as the World Bank and, which as in the case of Kaganova and Undeland (2003), prepared for the cities of Kyrgyzstan, advocates the introduction of asset management practices as a counter to poorly developed municipal property management practices. Despite the scarcity of literature on international comparisons in the development of asset management there is, as Kaganova & McKellar (2006) suggest, a rise in interest in asset management across the world. The clamour for property reform seems to be growing internationally Kaganova & McKellar (2006) argue citing France, Russia, Chile as examples of where it is emerging.

In a commentary on development of asset management world-wide Kaganova et al (2000) write that the emergence of asset management as a distinct and identifiable activity can be set against some long term developments in local government. These conceptual changes which underlie the transition from property management to asset management were succinctly summarised by

Kaganova et al (2000) and include a shift from public to private ownership of property, the recognition of property as a '*productive asset*' rather than a '*public good*' and the introduction of private sectors practices.

The shift from public to private ownership of property has risen, in Kaganova et al's (2000) view, from recognition that public sector agencies such as local government are not efficient property owners. As Kaganova et al (2000) write, there appears to be an identifiable trend which is founded on local government moving from a '*provider*' of property for end users, to a '*partner*' with the private sector for the provision of property, to an '*enabler*' of the private sector as a provider of property. As Kaganova et al (2000) suggest this trend may eventually see local government as a '*consumer*' of property which is provided by the private sector. This trend is echoed by Ashworth (2000) who suggests that as local government re-invents itself to meet the challenges of changing processes in democracy, accountability and service delivery so councils are increasingly questioning the need to own assets at all.

The recognition of property as a '*productive asset*' rather than a '*public good*' has been because of restraint in public expenditure argues Kaganova (2003). This expenditure restraint has lead to local government recognising that property could be a source of funding with latent value being released through disposal of surplus buildings or by releasing the opportunity cost of buildings in use which may have high alternative use values. Property was traditionally viewed as a '*public good*' with little analysis of its efficiency or financial performance. However Kaganova (2003) argues this has changed with property now being treated as a '*productive asset*' capable of producing measurable financial returns such as cash from disposals or income from leasing.

The introduction of private sector approach to the management of assets has provided local government, Kaganova & Nayyar-Stone (2000) suggest, with a source of ideas and practice from which they could learn. Within the private sector assets have traditionally been managed in a way more closely aligned to their core business objective of maximising profit, and in many cases asset management in the private sector has been seen as a core corporate activity. As identified earlier in this chapter corporate real estate management (CREM) in the private sector preceded asset management in the public sector and it is from CREM that Kaganova & Nayyar-Stone (2000) argue that practices have been transferred to asset management within local government.

As both kaganova (2002) and Worely Ltd (2002) imply there are three broad trends in the emergence and development of asset management. Whilst not stated in these terms by the authors these can be summarised as 'top down imposed', 'bottom-up promoted' and 'externally advocated'. The 'top down imposed' are characterised by Australia, New Zealand and Australia where asset management has been directed by central government policy. The 'bottom up promoted' approach is exemplified by municipal institutions in USA where asset management has been driven initially by practitioners themselves in the absence of a strong national policy steer. The 'externally advocated' approach is typical of countries in transition, such as those of Eastern Europe, including Russia, where aid or development agencies, such as the World Bank and USAID, have advocated it as part of broader reforms.

Kaganova and Nayyer-Stone (2000) further argue that central government initiated asset management of Australia, New Zealand and the UK has been accounting orientated with accounting standards requiring public bodies to

show asset values and related liabilities in their accounts. This was first introduced in New Zealand and UK in 1986 and 1989 respectively. This contrasts, Kaganva and Nayyar-Stone (2000) suggest, with a more property orientated approach in North America. Burns (2007) provides an additional perspective emphasising that there is a world-wide trend for asset management to be seen as a subset of accounting. Burns points to South African guidance making the Chief Finance Officer responsible for asset management, recent UK treasury claims that the level of asset sales were a measure of asset management effectiveness and the New South Wales Treasury in Australia taking over the asset management function. Burns (2007) argues that this finance view of asset management has some strengths, such as sound accountability and robust procedures for resource allocations but also weaknesses from a short-term, budget year focus and an emphasis on performance in terms of finance rather than service outcomes.

The implication of this analysis is that apart from isolated occurrences asset management has not yet emerged as a strong distinctive strand of activity in other regions of the world including Africa, Asia, South America and Western Europe excluding the UK. The literature to confirm or refute this assertion is scarce, but several commentators such as Burns (2002, 2003 & 2007) and Kaganova & McKellar (2006) have remarked that there is increasing interest in asset management across the world and there are a number of illustrative examples to support this view.

Bizet (2006) suggests that in France the state is moving to embrace private sector approaches such as asset management as part of its reform processes with an increasingly decentralised framework for the management of publicly

owned property assets. The responsibility for asset management Bizet (2006) argues is being shifted to lower tiers of government such as municipalities, to encourage the rationalisation of assets they own or occupy. Lind & Lindqvist (2005) write of radical reforms in Sweden during the 1990s which saw changes in the way central, regional and municipal government managed property with the introduction of private sector practices such as internal rents and legislation prohibiting regional government from owning property. Similarly Local authorities in Germany are currently undertaking a great deal of reorganisation in their real estate departments suggest Schulte & Ecke (2006). This process of reform is being driven write Schulte & Ecke by the need to improve real estate practices but also as part of a larger modernisation programme of public administration in Germany.

2.4.2 Difference between Developed and Transition Countries

Municipal property management traditions and approaches in different countries have as Fernholz & Fernholz (2006) suggest been shaped by the different institutional and legal contexts in which they are set. The nature of municipal property management has evolved in response to these different concepts of political authority, the legal framework and the relative power and interests of stakeholders. As the Council of Europe (1998) argues there is a need to understand the different historical contexts in which municipal property ownership has developed in order to understand the nature of municipal property management.

The UK and Russia as examples of a developed country and a country in transition represent perceived extremes in maturity of asset management and also reflect differences in institutional context as a result of their evolution of

local government generally, and within this municipal property management more specifically. The UK is perceived to be at the forefront of local government asset management policy and practice, with a mature, stable local government structure and a legacy of property management practice acquired over many years. In contrast Russia is a new democracy with local government in its infancy and subject to continuing reform. Its local government asset management practice is seen to be immature and like other countries in transition perceived to lag behind that of developed nations like the UK.

The nature of municipal property management of countries in transition such as Russia, the differences from developed countries like the UK and the variety of associated problems have been identified and described by several commentators such as Beasely (2004), Peteri (2003), Brzeski & Kaczmarski (2002), Kaganova & Undeland (2002), Bertovic et al (2000). The differences in municipal property management in transition countries in contrast to developed countries they identify include the quantum and nature of property held, the legal basis of property ownership, asset management organisation and capacity, the adoption of asset management practice and the cultural attitudes towards property.

The reforms of countries in transition, like Russia, have led in the view of Danielian (2002) to changes from a '*centralised public administration to a more decentralised model*' with the creation of municipalities. Fernholz and Fernholz (2006) write that recent processes of decentralisation and democratisation in countries in transition are redefining the roles of central, sub-regional and municipal government. Ownership of property assets is part of this redefinition and along with the reform processes there has been a large transfer of

property from the national and regional levels of government to local government and into private ownership. Danilian (2002) described this as the *'municipalization of property'*. Peteri (2003) argues that the transfer of state owned property assets to municipalities has occurred in many countries of Eastern Europe such as Hungary, Poland, Latvia and Slovakia along with other broader reforms in transition countries such as political decentralisation and the re-assignment of public functions and their funding.

This devolution of government responsibilities and associated asset transfers has made local government significant direct owners of property or indirect owners through municipal enterprises. The transitional processes of devolution and restitution of property from national and regional level to municipalities or from municipalities to private ownership have led, in the view of Bertovic et al (2000), to frequent changes in the content and size of municipal portfolios. Kaganova & Undeland (2002) identify that in becoming large owners of property, municipalities in Russia have properties that are not needed for the delivery of services. The revenue from subsequent sale or leasing of such properties makes an important contribution to municipal budgets. Whilst recent legislation has been directed to ensure municipalities in Russia only own what they require for their defined responsibilities and divest themselves of the remainder there has, Bertovic et al (2000) and Kaganova & Undeland (2002) suggest, been reluctant progress in this area and Russian municipalities still have significant portfolios. This represents Danielian (2002) notes up to 16% of the country's total capital funds.

Bertovic et al (2000) further suggest that large portions of the portfolios of municipalities are obsolete properties with negative residual values, with many

authorities having no inventory of physical assets and that property is a grossly under-utilised resource. Fernholz and Fernholz (2006) argue that within the dynamics of reform and democratisation processes in transition countries there is much confusion, sometimes over asset ownership, with new legal instruments, lines of authority and guidelines for using public sector assets still evolving.

The large amount of property held by municipalities in Russia due to reform processes, asset transfer and the pace of privatisation is in contrast to the UK. Local government in the UK does not have such substantial amounts of property in comparison because as Kaganova & Undeland (2002) identify many services delivered by the state under socialism in countries like Russia have traditionally been provided by the private sector in market economies. It is also the case that following a period of significant property accumulation in the 1960's and 1970's identified by DETR (2000) local government in the UK has been divesting itself of unneeded property in response to national policy direction, resource pressures and as a consequence of embracing asset management practices. Gibson (1996), for example, identifies that there was a decrease in portfolio size at 65% of UK public sector organisations during the period 1989-1995.

The maturity and basis of local government itself also acts to facilitate or constrain the adoption of new innovations such as asset management. In most countries local government exists with locally elected councils which set overall policy and executives which implement this. However, as Kaganova & Undeland (2006) remark, in some countries, especially of the former Soviet Union, local government is simply a local form of a single system of state

administration. This hierarchical sub-ordination to the state curtails the ability for, and interest in, adopting new methods such as asset management unless directed from a national level. In some cases, like Russia, the frequent legislative changes as local government continues its evolution towards an effective, sustainable basis constrains the ability for municipalities to adopt new ideas. Even where legal provisions are in place which establishes local government as independent entities there is, Kaganova & Undeland (2006) write, inertia among local officials to embrace new ideas due to a legacy of working within a state hierarchy.

An additional factor is, Kaganova & Undeland (2006) identify the internal organisation of local government; including the relationship between local representative bodies and the executive. Councils as the highest body of local administration are responsible for setting policy but a council's real effectiveness and authority varies greatly among transition countries. Councils in many post-socialist countries, like Russia, tend to be weak or with impractically large councils rendering decision making problematic and thus providing the local executive with considerable latitude.

In the majority of countries where there is a distinction between public and private ownership, national constitutions or laws provide the basic framework for ownership of properties such as municipal buildings. In most western countries there is, as the Council of Europe (1998) write, no special legislation regarding municipal ownership, since this comes under general rules relating to ownership and which are applied irrespective of the type of ownership. This is in contrast to countries in transition like those of Central and Eastern Europe where there are specific legal rules on municipal property ownership.

The legal basis to property varies between Roman law and Common law countries with, as the Council of Europe (1998) suggest, property having a different meaning under each basis. In Roman law countries the concept of property has an exclusively physical meaning and refers to all land and property at the disposal of a legal person. In Common law the term is not restricted to the static aspect of the physical asset but also includes elements relating to the relationship between the holder of the rights and the assets. Thus the Roman law concept of property takes as its starting point the physical asset, whereas the common-law is based on the rights and interests of a property holder in relation to certain assets.

In particular the adjective 'municipal' has a distinct meaning in relation to property in some countries. As the Council of Europe (1998) argues, it is important to bear in mind the different historical contexts in which ownership by local government has occurred. In developed countries, like the UK, municipal ownership is the result of a lengthy historical process whereas in countries in transition, like Russia, municipalities have acquired ownership almost instantly with changes in the political system. With these changes and the wholesale transfer of assets from national and regional government to local government there was often the need on behalf of central government to legislate on the regulation on municipal property as a specific form of property ownership. These differences between countries with common law traditions like the UK, and those countries in transition based on Roman law provide, in Danelian's (2002) view a rich seam of investigation.

Specifically in Russia, Kosareva (2001) and Overchuk (2000) write, that at no stage in 20th century did Russia have private ownership of land or property for

any length of time or in any full sense of the term. Under socialism land was neither bought nor sold. Kosareva (2001) identifies that private ownership of land was first introduced by the Constitution of the Russian Socialist Federation of Soviet Republics in 1990 and this began a gradual liquidation of the state monopoly on ownership of land and property. At the same time a specific form of municipal property ownership was created and, as Overchuck (2000), notes subsequently enshrined in the Constitution of the Russian Federation with Chapter 1, Fundamentals of the Constitutional System, Article 9 declaring '*land and other natural resources can be in private, state or municipal ownership'.* Thus a property market and a municipality's participation in it is a relatively new and evolving phenomenon which contrasts with a more mature property market in which local government has participated within the UK.

In the view of Brzeski & Kaczmarski (2002) organisational arrangements within municipalities in transition countries tend to reflect reliance on procedural compliance and the priority to divest property holdings under privatisation programmes. Municipalities have, write Brezeski & Kaczmarksi (2002), not yet created position of asset managers and various functional components of asset management are often, as Kaganova (2003) identifies, fragmented or dispersed organisationally. Operational property management matters are often delegated to the respective municipal users. In addition to this lack of organisational focus for asset management municipalities do not have formally articulated medium to long-term asset strategies, although they will have detailed short term action plans and programmes of work.

This contrasts with the UK where there is, in the view of York Consulting

(2002), a strong, centralised organisation of the property management function and a corporate, rather than devolved approach to managing the asset base. This is in large measure because as York Consulting (2002) identifies this type of organisational arrangement is seen as a pre-requisite to effective asset management in the published best practice guidance to which UK local government is required to adhere to.

In the view of Bertovic et al (2000) the processes of reform and re-distribution of property have lead to incomplete asset inventories, problems in the development of knowledge and skills in asset management and in adjusting capacity within local government. As a consequence municipal public assets whilst significant in scale are also in the view of Bertovic et al (2000) one of the most under utilised and poorly managed resources of municipalities. Betrovic et al (2000) reflect the views of others such as Kaganova (2003) and Kagaovoa & Mckellar (2006) in commentating that in countries in transition asset management is in many ways non-existent and that policy and practice lags behind that of countries like the UK which are perceived to be at the forefront of asset management.

Commenting on transition countries recent national audit guidance on asset management Brzeski and Koczmarski (2002) suggest, has only looked at procedural compliance and municipalities do not have formally adopted or articulated asset strategies so that strategic decisions regarding assets are either driven by privatisation procedures or by uninformed qualitative arguments based on the expediency of generating cash flows for next year's operating budget. Brzeski and Koczmarski (2002) identify several deficiencies in asset management policy and practice in comparison with more developed

countries. This includes the view that there is little focus on assets as a '*productive part of the capital base of local government*'. They also argue that municipal property management lacks a strategic focus and is routinely treated as a '*sunk cost*' in the provision of municipal services or as a '*procedural item regulated by the privatisation process*'.

Property in the UK is often perceived as incidental to councils which have a more functional focus on service delivery. Property has therefore tended to be viewed as professional structural division within an organisation focussed on service delivery. The concept of an 'enabling authority' in the UK may promote property as a resource which is consumed when and how required rather than something that needs to be owned by the council. This is in contrast to many countries in transition where property may symbolise a municipality with the number and type of properties being an important influence in the status and recognition of a municipality as an entity. The Urban Institute (2006) argue that whereas as most developed democracies such as the UK believe that governments should only own the properties they need to perform their functions, in countries in transition government and municipalities are still eager to own properties regardless of their need, in order to generate revenue, for use in running businesses or simply for the sake of ownership itself and without a clear purpose.

Despite the variations in institutional circumstances and the apparent differences in approach to asset management both UK and Russian local government face some similar challenges in relation to managing its assets base. These include a common concern to manage property so as to contribute to the overall objectives of the municipality and dealing with the pressures of

public finance restraint which requires that they examine and exploit the asset base to release value, generate funds or reduce costs. Asset management therefore in both countries can be seen, as Kaganova (2003) suggests, as a common approach to address such problems.

The orthodoxy of the perceived differences in the maturity of asset management between developed countries and countries in transition as typified by UK and Russia and as revealed through the literature has not been tested. Vetrov (2004) writes that there has been limited research into municipal management in Russia. What research that has occurred Vetrov (2004) argues has been limited to organisational functions and funding of local government rather than property management. The different historical, legal and institutional circumstances in the UK and Russia coupled, with similar property management concerns, provides the basis for the comparative element of the research as well as a response to this lack of previous research into municipal property management identified by Vetrov (2004).

2.5 A Commentary on Asset Management Maturity

Whilst there is a growing body of theory and practice on asset management most commentators such as Deakin (1999), Burns (2002 & 2003), Rose (2004), Kaganova & McKellar (2006), and Cox (2007) concur that it is still in its infancy as a discipline; but as Jolicouer & Barrett (2004) remark also of growing importance. Hentschel & Utter (2006) echo this view of asset management being a discipline on the rise but yet still in its infancy and argue the need for more research, particularly on an international basis, a demand which in part this research has attempted to respond to. Kaganova & Nayaar-Stone (2000) write that except for a few cities and a few countries asset

management is not very advanced, that generally there is a low level of awareness in local government and that even basic steps prescribed by common practice are often lacking. They argue that there is a shortage of exemplars, with little systematic evidence of what represents best practice, although they acknowledge that the Beacon scheme for asset management within the UK has in part addressed this.

Whilst arguing that it is still in its formative stages, commentators do also imply some differences in development and maturity across the world. These differences are apparent suggest Kaganova & Nayyar-Stone (20001) between the top-down accountancy approach of the UK, Australia and New Zealand, from the largely voluntary bottom-up approach of the USA and the externally advocated approach for countries in transition. Kaganova & McKellar (2006) suggest that there is a broad spectrum of maturity in asset management. At one end countries such as Australia, New Zealand and the UK, have Kaganova & McKellar (2006) suggested, implemented some significant reforms in the management of local government property; whereas at the other end of the spectrum and despite growing interest in asset management there are many countries which have yet to make any real progress. The pool of countries which have not yet made progress in the view of Kagaonva & McKellar (2006) substantially outnumbers those where progress has been made; but even those at the more advanced end have much more progress to make.

Kaganova & McKellar (2006) argue that as the UK, Canada, Australia, New Zealand, and Sweden and, in some respects the USA, are further advanced in NPM reforms, so asset management as a subset of these reforms is also further advanced in these countries. This is in contrast to countries in

transition which are at a different stage of evolution in public sector reform.

Commentaries for a range of different countries support the argument of asset management as an immature activity. Harlow (2004), for example, from an American perspective argues that to make progress asset management requires both a desire to provide levels of service the customer requires at the lowest cost, on a sustainable basis; along with realisation – making it happen. Both these factors of desire and realisation Harlow (2004) argues are weak in the USA in comparison with the prevalent regulatory and governance arrangements which have contributed to improvements in asset management in the UK, Australia and New Zealand. He argues that as largely a voluntary effort in the USA asset management is still poorly developed. This is a view supported by Burns (2002) and Hentschel & Utter (2006). Burns (2002) writes that asset management in the USA is still only at the beginning with a deficiency in record keeping and a priority need to establish effective data collection and property information systems. Hentschel & Utter (2006) write that in the US asset management is more of a growing art than a defined discipline with the range of experience and maturity as varied as the number of municipalities and with only a small percentage of municipalities with dedicated asset management teams.

Within the UK asset management now has, according to McGinty (2005), a high profile in local government. There has been a growing network of practitioners to share knowledge and best practice but McGinty (2005) argues that whilst there is an improved understanding of the benefits of asset management there is still a large discrepancy between the best and worst performing councils. Jenkins, Beamish & Smith (2006) in a commentary on

both the strengths and weaknesses of asset management identify deficiencies in performance management, option appraisal, engagement of members, integration with business planning and implementation as failings in practice within the UK. York Consulting (2002), in a report commissioned by central government into the implementation of asset management in UK local government, indicated problems due to a perceived level of resources and to a lesser extent skills and experience in the development of asset management. They also argue that many authorities in the UK have made some progress since starting from a low base but have adopted a largely 'tick box' approach to meeting required practice guidance, rather than embracing the full philosophy and spirit of asset management. Writing later, after the conclusion of a comprehensive research study lasting several years, York Consulting (2007) concluded that there was a long way to go before it can be said with confidence that most local authorities are making the most effective and efficient use of property assets.

Male (2006) using the Institute of Asset Management's maturity matrix for asset management is more generous in his assessment and for the UK central government departments identifies all are past the level of unawareness, the majority (49%) are at the level of awareness, but that 15% and 11% respectively are working at a level of competence or excellence. His research does identify areas for improvement which include the need to promote leadership and address the poor linkage between asset management and business planning, the requirement for improved benchmarking standards and guidance and the development of skills and competencies to develop a asset management profession. Hardy (2006) uses Male's research to position UK central government's overall performance on asset management as

'medium' on the IAM scale of innocence to excellence with some exemplars of good and excellent practice.

In a commentary on Welsh authorities the Audit Commission Wales (2005) suggests that asset management is still in a development phase and is generally not at the business end of having asset management processes in place that clearly enable achievement of better value for money from an authority's capital assets.

Countries in transition, like Russia, are at a different stage in evolution of asset management. The processes of reform in these countries have led, Beasely (2004) suggests, to incomplete asset inventories, and there are problems in the development of knowledge and skills in asset management as well as capacity within local government. There is as Brzeski & Kaczmatrski (2002) argues little focus on seeing assets as a productive part of the capital of government and Kaganova and Nayyar Stone (2000) reinforce this view suggesting there is generally a low level of awareness of asset management in municipalities.

Meritic (2006) conclude that Australia and New Zealand are representative of world best practice in municipal asset management. It remarks that New Zealand has the most holistic approach whereas Australia leads in advanced asset management techniques. It confirms that consistent national practice is the single most important factor acting as a stimulus to strengthening asset management in these countries. However, even in these countries which commentators such as Kaganova and Nayyar-Stone (2000) and Conway (2006) acknowledge at being in the forefront of both NPM and asset management

Smith (2006) states practice is lagging behind theory and that despite over ten years of development and guidance asset management remains at a beginner rather than advanced level.

Conway (2006) writes that a lesson that has emerged from the progression of asset management to date is that reform and practice takes a long time to gestate and produce results with a time lag that can be measured in decades rather than years. In this sense the prevailing view of commentators that the discipline is in its infancy is not surprising. A general trend is that asset management has been implemented as national policy cascaded down to local government; although Conway (2006) also remarks that in the UK local government asset management proceeded, and has advanced further than in central government. Greenwood, Landers & Martins (2008) argue that there is a consistent international trend which is that it has required legislation, or at a least a desire to increase funding levels or to better manage risks, in order to gain real momentum in asset management. They suggest that few organisations do it because it is the right thing to do.

Kaganova and Nayyar-Stone (2000) argue that even in developed countries such as the UK, Australia and New Zealand where asset management originated and which are the most advanced reformers it is still poorly developed. In developing countries and countries in transition they argue asset management is non-existent or at best in embryonic form with property decisions made on an ad hoc basis rather than strategically. This is an assertion that this research has in part attempted to validate. However Kaganova and Nayyar-Stone (2000) also suggest that there is a world-wide trend to adopt private sector asset management practice in local government

which is evident in developed countries but also in some specific instances in countries in transition. This is especially the case where cities have specific local circumstances such as technical assistance provided by donor agencies.

Finally, Byrne (2007) writes that the educational aspects of asset management have not yet been adequately addressed. The key issues of identifying and understanding the necessary skills and competencies required have not in Byrne's (2007) view been considered. In a commentary on asset management maturity Byrne (2007) argues the educational, accreditation and reward systems for asset management need to be further developed.

2.6 Summary

In summary it can be seen that asset management has emerged as a distinctive discipline as part of broader worldwide trends. In the private sector businesses have responded to globalization and competition through greater efficiency and revised business practices. The public sector has mirrored these reforms through the adoption of New Public Management, with increasing adoption of private sector practices. In both private and public sectors property has been increasingly recognised and promoted as a strategic resource which can be exploited better to meet organisational objectives. In the private sector corporate real estate management (CREM) has emerged as a distinctive discipline to exploit this previously 'hidden' resource; and asset management in the public sector has followed.

Asset management has not developed in a uniform way across the world. Australia, New Zealand and the UK are perceived by commentators to lead the world in their development of asset management policy and practice in large

measure driven by strong national government direction; whereas countries, like the USA, where there has not been this strong national policy direction the development of asset management tends to lag behind these leading countries. Commentators argue that in countries in transition asset management is almost non-existent; although this orthodoxy of difference in maturity has not been fully tested. Even where it is most advanced asset management is still in its infancy as a discipline, but there is a growing world-wide interest in it, and it is being increasingly embraced within the public sector of countries across the world often as a sub-set of accounting practice. The different historical, legal and institutional context but similar property management issues between developed countries and countries in transition, typified by the UK and Russia provide the basis for the comparative element of this research.

Property is an important contributory element to local government service delivery functions. Its significance and value has been increasingly recognised through a growing worldwide interest in asset management. Despite this increasing interest asset management is still an immature activity and there is some confusion about its scope and purpose. Some practitioners struggle to turn concepts into reality and there is a lack of a clear conceptual framework within which to place its development. These issues and the role of asset management, current models to describe it, its scope, purpose and outcomes and its level of maturity are discussed more fully in chapter 3.

CHAPTER 3

Theory and Practice in Asset Management

3.1 What is Asset Management?

Whilst asset management is an increasingly recognised term and discipline for local government world-wide it is also, in the view of many commentators, not readily understood as an activity in terms of its purpose, scope and benefits. There is also confusion between the terms used to describe similar activities. This chapter seeks to provide a greater understanding of asset management and to review existing practice guidance and descriptive models which describe it. It does this by discussing what asset management is (concept), why organisations do it (rationale and outcomes) and how they do it (practice). It provides a summary and critical review of existing best practice and examines some of the models which are used to describe and explain asset management. As well as seeking to explore the nature of asset management this chapter also provides a context for the analytical framework which is presented in chapter 5 and which is used as the basis for the case study work.

3.1.1 Defining Asset Management

The term asset management is now widely used in local government within the UK and, as Kaganova & McKellar (2006) suggest, being recognised increasingly across the world. Whilst the term itself is commonly used it is not so easily defined. In Australia where asset management has existed for several years Burns (2002) argues that the term is neither well defined nor understood. The ambiguity in its definition is problematic because it allows it to be interpreted to mean different things to different people. McCarthy (2005) notes it has been variously described as a framework, methodology, tool or as a discipline. In

the context of this study asset management is an embryonic discipline, the aim of which is to improve the capability to derive value from the assets that local government owns or uses. As a discipline Gibson (1999) argues there is confusion about its range of responsibilities and its advancement as a distinctive and valued activity can only be assisted by greater clarity of what it is, how, and why you do it.

As illustrated in Chapter 2 asset management can be considered a new term to describe the emergence of a new discipline from the evolution of an older activity, property management, which has always existed. Its acceptance and use, whilst driven by a range of factors is also related to an attempt to raise the profile and change the nature of this more traditional activity with its adoption in local government, especially in the UK, very much initiated and driven by central government policy.

As Gibson (1999) writes there are many ways to define asset management and many current definitions. In order to gain a comprehensive understanding of its purpose and scope one approach advocated by Gibson (1999) is to consider these alternative definitions. By examining the concept in a literal way, from current definitions in use in the UK and internationally, from a practitioner perspective and from both a public and private sector viewpoint it may be possible to develop an effective composite definition.

In a simplistic way the concept of asset management can be defined through the separate terms of 'asset' and 'management'. These terms themselves are problematic to define in a precise way and tend to have a range of meanings, but at the same time they provide a general sense of the concept. The Oxford

English Dictionary describes asset(s) as '*useful or valuable things or property owned by a person or company'*, with its origin derived from a French term 'assez' meaning 'enough', in the sense of sufficient estate to allow discharge of a debt. Management is defined as the '*control and organisation of something; or the act of managing'*, which is the '*judicious use of means to accomplish an end'*. The implications of these definitions are that the term is concerned with things which have value, which are owned by an individual or organisation and used to meet an objective.

Howarth (2006) and Fernholz & Fernholz (2006) argue the term asset can include both tangible and intangible assets. These could be financial assets, such as money, intellectual assets such as knowledge, and physical assets, such as buildings. The scope of asset management can therefore be drawn widely to include many things as the hierarchical view of asset management in Figure 1 suggests. Whilst land and buildings are a subset of this hierarchy, they are Fernholz & Fernholz (2006) suggest a significant proportion of a council's total asset base. Asset management is thus concerned with the land and buildings owned or used by an organisation in support of its business. As Gibson (1999) argues the property resource is required to underpin an organisation's activity in the same way as human and financial resources.

Current definitions of the term asset management used by the various agencies that support or advocate its use demonstrate the notion that it is not easy to define explicitly. Cavey (2007) argues that there are many definitions, each slightly different as they are tailored for different audiences. Whilst each definition provides a broad indication of its purpose, no single definition adequately conveys the full sense of its aims or activities.

Figure 1 - Hierarchical View of Possible Scope of Asset Management

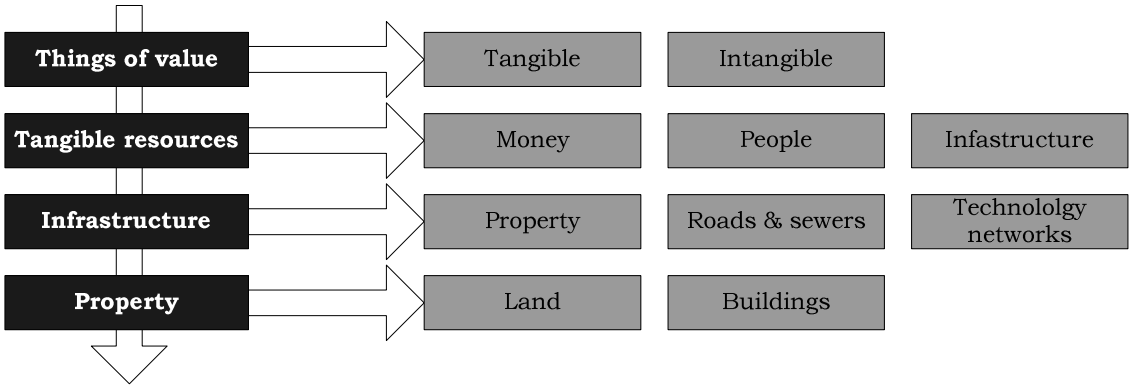


Table 5 below presents a simple summary of definitions currently in use. Whilst each is valid and provides some broad understanding of the term, each also seems inadequate in providing a full understanding of its meaning.

Table 5 – Diversity of Definitions for Asset Management

Optimising the utilisation of assets in terms of service benefits and financial return – Office of Deputy Prime Minister guidance on Asset Management Plans
Asset management seeks 'the right space at the right time, in the right place, at the right cost'- Beacon Council Scheme Guidance Brochure (2004)
Asset management is the full life cycle management of assets in order to maximise their advantage – Scottish Guidance on Asset Management
A process of decision making about acquisition, holding and disposition of property for the owner's use and investment - Bertovic et al (2000)
To spend as little as possible to provide service at agreed quality and time; using the optimal asset stock to deliver corporate objectives; whilst controlling exposure to risk and loss – Burns (2000)
A structured process that seeks to ensure best value for money from property assets in serving local authorities strategic needs – RICS (2004)
Activity that seeks to align the asset base with the organisation's corporate goals and objectives. It ensures the land and buildings asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned – CLG (2008)

These definitions tend to be seen from a practitioner rather than client perspective focusing on inputs and processes rather than outcomes. They are

in contrast to an alternative definition provided by Alsop (2007) that asset management is concerned '*with making life better*' or that provided through interview at Kazan, a case study organisation in Russia, '*to make people comfortable in their own city'*. Alsop (2007) argues that people '*want their town to be different from everywhere else in the world*'. They want, he suggests, '*identity and uniqueness*' and he argues that the built environment and thus asset management contributes to that aspiration.

Interviews with practitioners indicate a consistency of views on asset management. Whilst not easy to define in a simple way, it can be considered they argue, as a distinctive activity. This is shown by the words practitioners used to describe its purpose and nature. The words below were derived through interviews with practitioners drawn from the councils short-listed for Beacon Status in asset management in the UK.

Table 6 – Practitioner Views of Asset Management

Asset management is about.....	**Asset management is.....**	
Seeing the woods from the trees	Central	Innovative
An organisational desire for innovation	Challenging	Involving
Affecting change	Commercial	Leading
Being output focussed	Collaborative	Owned
Making property enhance service delivery	Corporate	Reflective
Managing property cost effectively	Dynamic	Systematic
A commitment to shared objectives	Efficient	Systemic
An embedded culture	Enabling	Targeted
A means not an end	Fresh	Timely

Whilst there was consistency of views on its purpose and nature there was less agreement on its scope. Some practitioners recognised it as an activity that could embrace all assets; some viewed it in terms of infrastructure assets, and others that it was simply about land and buildings. All agreed that asset management was viewed within their own organisations as being about land

and buildings and that this was due to the emphasis placed on property by central government in its guidance on asset management to local government.

Given the observation noted above that there are a multiplicity of different definitions for asset management for different audiences, there is a reluctance to add an extra one. However there is a need to link the discipline to its ultimate beneficiary, the public, so for the purposes of this research a simple working conceptual definition is advanced which is intended to encapsulate its overall purpose and scope:

> *'Asset management is concerned with managing public property strategically so as to optimise its benefit for the community'.*

In terms of types of organisations to which asset management is applicable, all organisations, regardless of size or purpose need, Gibson (1999) argues, some place from which to conduct their business. Thus, the term is applicable to all types and sizes of organisations in the public and private sectors, and not just local government. The degree to which it is embraced might, Gibson (1999) suggests, differ between organisations and may be moderated in relation to the size and value of its property holdings.

As identified in Chapter 2 asset management is the public sector equivalent to corporate real estate management (CREM) in the private sector, but whilst similar disciplines, there are also, Bertovic et al (2000) note, some important differences between the disciplines in the two sectors. In the private sector CREM is defined by Bertovic et al (2000) as a decision making process about acquiring, holding and disposing of property held for a company's use or as an

investment. In the private sector the main goal of an organisation Bertovic et al (2000) argue is to maximise profits, which in the context of property assets, implies a return on investment, minimising risk or optimising liquidity. As such CREM is viewed as part of a company's core business, supported by advanced financial techniques which underpin these objectives.

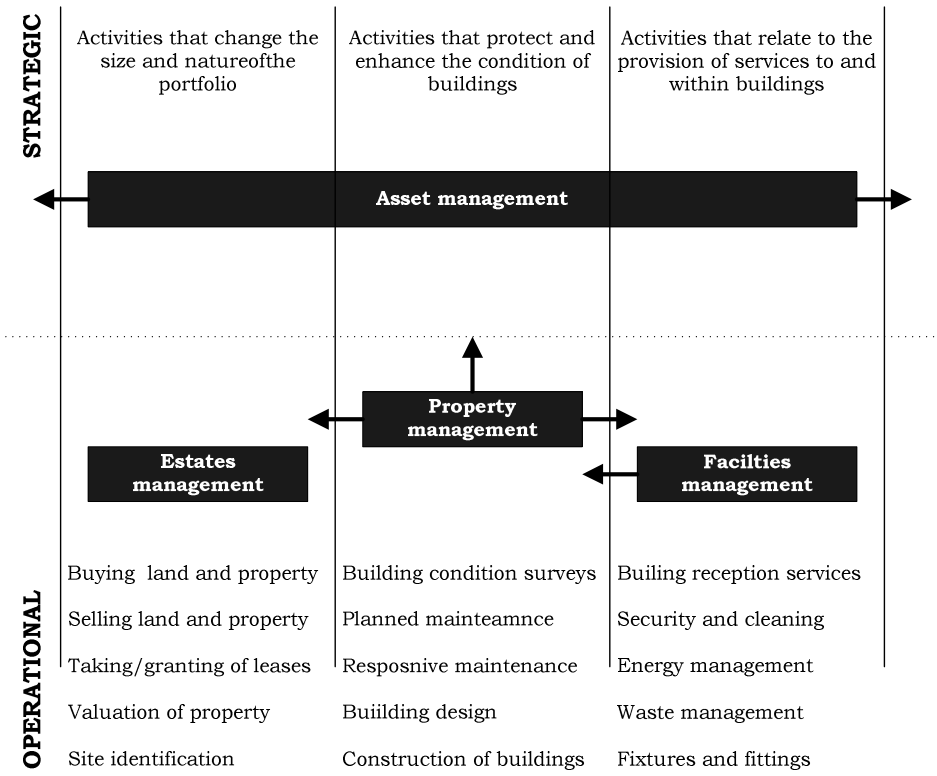
This contrasts, Bertovic et al (2000) argue, with the traditional public sector approach to property, which, whilst changing, has been about supplying the right quantity of property for public services at least cost compared with alternative arrangements, including private sector provision. Hentschel & Utter (2006) argue that local government requires a wider diversity of assets and that expenditure on buildings tends to be low because political priorities often lie elsewhere. Bertovic et al (2000) also identified a recent non-traditional objective around municipal property management with supporting economic development. In this sense, assets in the public sector have often been viewed as incidental to, rather than central to core business. Whilst asset management has seen a change from the traditional public sector approach to property identified by Bertovic et al (2000) to a wider one, the emphasis given through the researcher's own definition above distinguishes it from the private sector equivalent through its emphasis on optimising its benefit to the community at large.

Gibson (1999) also states there are issues in relation to similar terms such as property management, facilities management or estate management and how asset management relates to these terms needs to be understood. Confusion manifests in simple ways such as organisational structures with in some cases asset management being seen as an overarching discipline embracing property

management and other related activities, whilst in other cases asset management is identified as a division of property management.

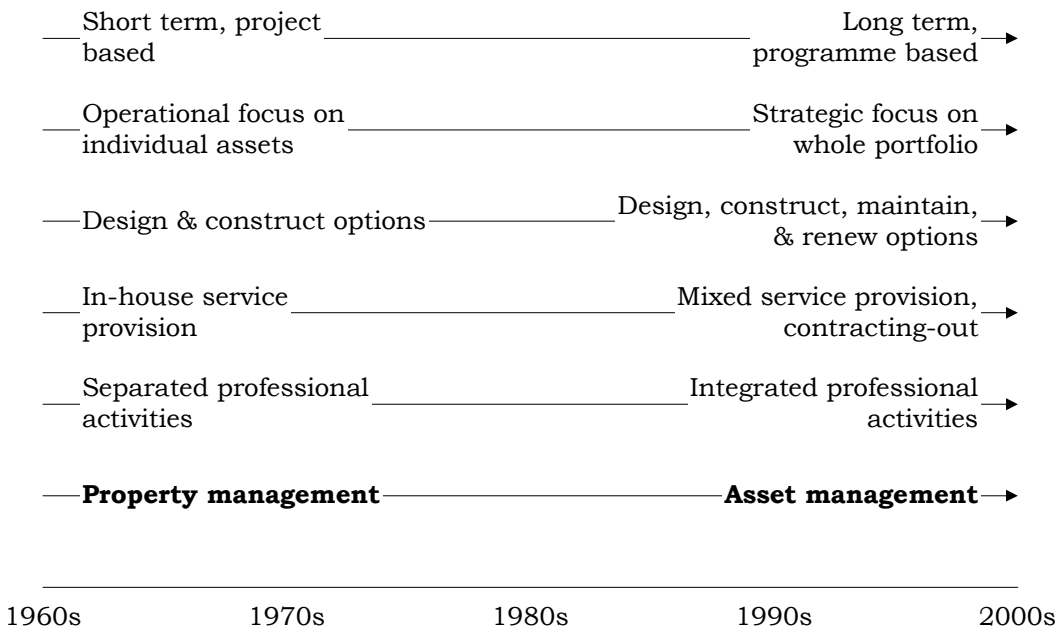
There is some confusion within the practitioner community of the meaning and scope of these similar terms, which means that clients of these activities are also confused. Consilian (2007) argue that distinctions between asset management and similar terms such as property management or facilities management are somewhat arbitrary because the role and nature of asset management crosses conventional boundaries. Gibson (1999) has argued however that these definitional problems and how asset management differs from related terms needs to be resolved as it is inhibiting its development. A simple framework to position asset management against these other terms is given in Figure 2 below. It is a simple positioning metric in which to place each term and shows how each term may itself be changing in scope.

Figure 2 – Scope of Asset Management Relative to Other Activities



Interviews with practitioners confirmed that asset management comes first with property management following. Asset management identifies what you need, where and why, through considerations of solutions against all issues. Property management provides the solution in the best way, ensuring delivery and effective operational use. In this sense asset management is more strategic, analytical and general; whereas property management is more technical, professional and specific. It can also be recognised, as discussed in Chapter 2, that asset management is part of an evolution of property management through time. The nature of this evolution is illustrated in Figure 3 below which summarises some of the changes in the nature of municipal property management over the last forty years.

Figure 3 – Evolution of Municipal Property Management (after Burns 2002)

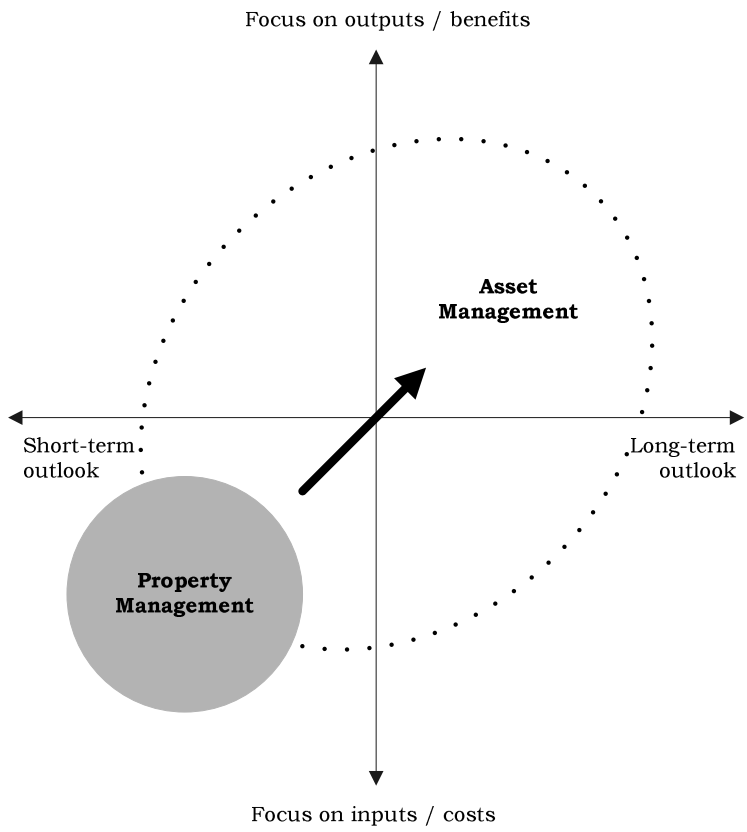


Howarth (2006) articulates the differences between property management and asset management in a simple but effective way. He argues there is a difference between the '*property management view of assets*' and the '*asset management view of property*' which is a wider strategic perspective over and

above traditional technical skills.

Similarly Lloyd (2007) presents a simple visual definition of asset management which distinguishes it from property management, whilst at the same time emphasising the nature of the activity as one which concentrates on the long term perspective and outcomes. The Lloyd (2007) visual definition emphasises the nature of asset management as one which has evolved from, and is a transformation of property management, and it is this definition which has been embraced by this research. Lloyd's visual definition is presented in Figure 4 below.

Figure 4 – Evolution of Asset management from Property Management



Godden (2007) and Cox (2007) argue that even in its infancy as a discipline asset management has been changing. Godden (2007) identifies three stages

in its evolution from a focus on efficiency, to one of improving service delivery through organisational transformation to a role of promoting wider community well-being and prosperity. Whilst not expressed in these terms these stages could also be viewed as levels of maturity. Cox (2007) similarly identifies stages in asset management which he characterises in terms of a traditional and expanded role to describe the range of asset management activities undertaken and the changing nature of the philosophy of asset management.

3.1.2 Making Sense of the Definitions

Looking at the different perspectives of asset management revealed through the literature it is possible to draw out some general conclusions on the purpose and nature of asset management as an activity.

Asset Management relates to an organisations total property portfolio. All land and buildings owned or used by an organisation in support of its business are within the remit of asset management, regardless of their purpose. Whilst different properties may be held for different reasons and may have different management objectives they all in some way contribute to, or underpin an organisations' business. Even properties held for future use or which are surplus pending disposal, whilst not necessarily required for core business can be viewed, Gibson (1999) suggests, in terms of the overall property cycle and as the entry and exit stages of property into the organisation.

Asset Management is applicable to both public and private sector organisations. As Gibson (1999) suggests asset management is applicable to all types of organisations because all organisations irrespective of their size, nature and purpose require some place from which to conduct their business,

deliver their services or sell their goods. As revealed in Chapter 2 within in the private sector the term corporate real estate management rather than asset management is used. Asset management is therefore applicable to both public and private sector organisations and it can as Gibson (1999) writes be considered as similar to financial and human resource management which also underpin all organisations.

As Bertovic at al (2000) and RICS (2008a) suggest asset management involves a separation of strategic from operational property matters with an emphasis on activities that affect the portfolio as a whole rather than other property related activities which are undertaken on a day to day basis, such as on-going maintenance, which are essentially operational in nature. Similarly as Lyons (2004) states a key feature of asset management is taking a strategic view of what assets should be retained and exploited as well as identifying which can be released to reduce costs or generate resources for re-investment. Howarth (2006) similarly argues asset management lies at the level of corporate resource management along with issues such as information and communications technology and requires thinking at a strategic level.

A strong view emerging from practitioner interviews is that asset management is more than simply being concerned with managing property effectively. It is a corporate activity, concerned with meeting corporate objectives, and it is about managing property so as to optimise its contribution to meeting organisational objective. As such asset management requires a corporate approach because as Burns et al (2001) remark in a context of scarce resources, decisions on the allocation of funds needs to be taken across all services and all asset categories on the basis of greatest need or benefit. As a corporate activity it is

argues the RICS (2008b) not solely the domain of property professionals. Similarly Essex County Council (2005) in their presentation for Beacon Status in asset management remark that it is '*about corporate working – part of everyone's job – requires real engagement*'

The scope and application of asset management extends as Worely Ltd (2000) indicate from the identification of community and client expectations through to the daily operation of the facilities that provide their services. It also covers all types of property, including those held for direct service provision; those held purely for investment purposes, those held for social purposes and administrative buildings required by the organisation itself. It is equally valid in the context of land as it is in property, although there may be different factors influencing the management and use of land. Whilst it can be applied to all things of value in practice its tendency in local government, seems to have been restricted to municipal infrastructure such as property, roads, sewers or even more simply just land and buildings.

An emerging view from practitioners which is also reflected in best practice guidance is that asset management is not an insular activity but operates within the wider planning context of an organisation and, in particular, needs to be closely integrated into this service and resource planning framework. As Sharplin (2003) argues asset management is a key element of an organisation's integrated planning and there is no role for asset management as an independent, stand-alone process. This is echoed by Ashford Borough Council (2005) in their presentation for Asset Management Beacon Status when they argue that there is a need to link the use of assets to service strategies and medium term financial planning.

Asset management is Burns et al (2001) suggest also more than just simply about technical matters and processes but also about an operating philosophy, which has a willingness to embrace and understand the benefits of its strategic approach, has a spirit of enquiry and challenge and which is reinforced by high level organisational commitment. The willingness to adopt the techniques of asset management as well as commitment is identified as critical by Burns et al (2001) to its success. Similarly Ashworth (2000) argues that the philosophy which underpins asset management is critical which requires a challenge to the way in which local government holds and uses assets. As Bertovic et al (2000) suggest it is more '*a way of thinking*' than a technical matter.

The guidance on asset management suggests that to be successful it needs to be embraced by the whole organisation and embedded within the organisations' routine planning processes. As Burns (2003) remarks it should be both systemic and systematic.

Interviews with practitioners identified that asset management was more than simply about processes but requires real desire to effect change and a long term commitment. Harlow (2003) argues, from an America perspective, that to make progress asset management requires a desire to provide a level of service the customer requires at the lowest cost. In a more direct way, Wallsgrove (2004) observes from her experience of asset management practice at many organisations that a common feature in those which are successful is the importance of long term commitment.

An intriguing thought advanced by an anonymous (2004) contributor to a

discussion forum on asset management is that if the nature and requirements of asset management as identified above are in place then the term asset management may even be redundant as its principles will be absorbed into '*business as usual*', as part of general strategic management.

There appears to be considerable consensus by commentators over the basic characteristics of asset management which identify it as the RICS (2008c) suggest as a strategic discipline distinct from operational property management. In summary this consensus characterises asset management as a discipline which takes a strategic, long term view of property assets, covers all aspects of managing land and buildings, is systematic and systemic, requires corporate commitment and engagement, needs to be integrated with corporate planning processes, is about a spirit of challenge; embraces private sector disciplines and is applicable to all types and sizes of organisations.

Table 7 – Summary Characteristics of Asset Management

Strategic	Takes a longer term view of assets
Comprehensive	Focus on portfolio as a whole rather than individual buildings
Systematic	Uses structured processes as a framework for decision making
Systemic	Embedded within an organisation's processes and culture
Corporate	Integrated with business planning to meet organisational aims
Innovative	Seeks to use the asset base as a catalyst for change
Market-orientated	Measures the contribution of assets in a 'commercial' way

It may be as Gibson (1999) states in relation to a similar context of defining corporate real estate that a single definition is inadequate to describe asset management except in broad terms and what may be required is a detailed range of definitions which underpin the concept by amplifying what it is in terms of its purpose, its rationale, its activities and its outcomes. Such an approach can then provide a framework to help practitioners understand the role of asset management by describing '*what it is* and *how you do it*' and also

provide organisations with a tool to assess its implementation. Such definitions can Gibson (1999) suggests include a conceptual definition to describe its broad purpose, an activity based one which defines in detail what needs to be done and an outcome based definition which can inform those outside of the professional discipline itself, especially clients, about what asset management can deliver. The development of such a comprehensive definition can, Gibson (1999) argues, provide an important stimulus to assist individuals and organisations understand and embrace asset management.

Gibson (1999) advances some alternative definitions for asset management as an aid to understanding. For example, she proposes a conceptual definition; '*the economic, efficient and effective acquisition, use and disposal of infrastructure in order to meet an organisations objectives*', which she argues provides an indicative feel for the purpose and scope of asset management; whilst at the same time firmly rooting the discipline as being concerned with value for money and the full life-cycle activities of property. Gibson (1999) also advances an activity based approach to defining asset management based on describing what needs to be done, and how, through the lifecycle stages of property; such as acquisition, maintenance and disposal. Similarly she suggests an outcome definition; '*providing space of appropriate quality and cost to meet business needs*', illustrating the added value of the activity and the implication of focus on consumers with the implied benefits from well maintained buildings, which are safe and clean.

Gibson (1999) argues that such a range of definitions are required in order to fully describe asset management. A conceptual definition, to help practitioners understand its broad remit, an activity based approach to define the practice it

embraces and an outcome based definition to inform clients and others of its value. It is Gibson's approach to viewing asset management from different perspectives that has acted as a stimulus to the development of the analytical framework with which to evaluate asset management which underpins this research and which is amplified in Chapter 5. The analytical framework discussed through chapter 5 is based on Gibson's approach but modified to embrace why organisations do asset management, how they do it and what they achieve. In short hand expressed as rationale, practice and outcomes.

3.2 Why do Asset Management? (Rationale & Outcomes)

The rationale for doing asset management was in part identified in chapter 2 with a discussion on some of the factors influencing the emergence of asset management. However these were resource or policy factors which are generally applicable to all municipalities in all countries rather than factors specific to individual organisations. There has not been any comprehensive study into which specific factors, either external or internal, influenced implementation of asset management at individual organisations. Understanding the nature and relative strength of these factors may help gain a fuller understanding of what facilitates the change from property management to asset management.

The financial benefits associated with undertaking asset management have been identified by many, including Audit Commission (2000), Carter (1999 & 2000), Cavey (2007), Lyons (2004), CLG (2008) and Male (2006). These include, reduced property running costs contributing to easing pressures on municipal revenue budgets, the receipts from property disposals contributing to capital budgets and reduced maintenance backlogs reducing incipient

municipal liabilities. However, as Deloitte & Touche (2005), Male (2006) and RICS (2008a) note, there are significant benefits other than financial including operational, employment, social and environmental to be considered. Male (2006) identifies enhanced customer and stakeholder satisfaction from improved service delivery, environmental sustainability and improved corporate image as some of the non-financial benefits. The RICS (2008a) identifies better public service provision through improved co-location of services, productivity and cultural changes from improved buildings and innovative procurement mechanisms as some of the benefits that can be derived from asset management.

The CLG (2007 & 2008) identify ten benefits of asset management in their introductory remarks to an outline for a local government asset management strategy. These include both financial and non-financial benefits and specific, tangible benefits like reduced property running costs, to more intangible benefits, such as empowerment of communities and citizens. Carter (2000) and Cavey (2007) provide a comprehensive list of financial and non-financial benefits identifying improved range of local services, increased civic pride, better engagement with members and citizens, increased cross-agency delivery through co-location of services, improved quality of property, assets aligned with locally agreed objectives; new working practices as the non-financial rewards for good asset management. York Consulting (2007), similarly identify 14 specific outcomes arising from effective asset management of which five are of a purely financial orientation and the remaining nine have an emphasis on improved service delivery and standards.

The importance of measuring outcomes in asset management has been

stressed by many such as the Audit Commission (2005) in their KLOES (Key Lines of Enquiry) for the CPA inspection process, GLG (2007) the RICS (2008f) and others. Some of these commentators have also identified the difficulty in achieving this. The RICS (2008f) have identified four key dimensions to measuring performance. These include building performance, property service performance, the contribution to individual service delivery and community outcomes. They also argue for the need to find the 'golden thread' that provides a link between organisational or community objectives and the property contribution to these.

3.3 How to do Asset Management? (Practice)

3.3.1 An Overview of Practice Guidance

There is a large and growing volume of published guidance on asset management for local government. This has been mainly produced in the last ten years with the majority originating in Australia, New Zealand and the UK and to a lesser extent the USA and Canada. There is also some guidance through donor agencies for countries in transition.

Within the UK there have been several significant publications on asset management which provide advice specifically aimed at local government. In their report of 2000, 'Hot Property – Getting the Best from Local Authority Assets', the Audit Commission emphasised the significant financial and service implications arising from the failure of councils to treat property as a strategic asset. Their 2000 report was a follow up to a prior examination of local authority property management in 1988, the findings from which were still considered relevant. The Audit Commission concluded that there was a detrimental effect on council services from: money being wasted on assets that

were no longer required to meet service needs or which were unnecessarily costly to run, buildings of poor physical quality and missed opportunities to share property with other public agencies. The Audit Commission identified that effective use of property assets remained elusive because in local government: property was not treated as a strategic resource, councils failed to challenge their need to own property, there was inadequate data on which to base decisions on property, a lack of clarity over accountability for property and apathy to change. The Audit Commission provided recommendations to local authority members and officers designed encourage the introduction of asset management. These recommendations have been embraced by subsequent guidance.

In 1998 the Department of Environment, Transport and the Regions (DETR) appointed DTZ Pieda Consulting to review asset management in local government. Their conclusions were that there was limited authority-wide strategic asset management being undertaken, little performance measurement, property data systems were poorly developed with fragmented data holdings acting as a constraint to managing the portfolio as a whole, no consistent approach to the categorisation of property assets and inconsistency in structures for asset management planning. This work on behalf of DETR subsequently formed the basis of ODPM's guidance on asset management issued to all councils in England under the Single Capital Pot capital funding regime. All councils were subsequently assessed according to these criteria.

The asset management guidance issued by the Welsh Assembly drew heavily from the guidance issued earlier to English local authorities. It was developed on behalf of the Welsh Assembly by the Consortium of Local Authorities in

Wales (CLAW) involving a wide range or practitioners from Welsh authorities. Whilst it provided no additional recommendations on best practice over that previously identified by the DETR and ODPM it did provide useful amplification of what the guidance meant in practical terms in an appendix explaining the likely format and content of an asset management plan.

The Royal Institute of Chartered Surveyors (RICS) guidance published in 2005 was commissioned by the ODPM to assist with the continued development of asset management in local government. Whilst previous guidance was concerned with processes the RICS guidance was intended to provide amplification of asset management concepts for local government practitioners and focussed on practical examples and highlighted outcomes.

The use of resources is a key part of the Audit Commission Comprehensive Performance Assessment (CPA) of councils. The performance of councils in relation to asset management is built into the 'key lines of enquiry' which form the basis of the CPA assessments. The Audit Commission performance assessment criteria do not add to previously published guidance. In essence it uses specific elements of the RICS guidance to provide a narrow set of criteria to assess how effectively a council manages its asset base. Perhaps it gives extra emphasis to these specific criteria as being the most important to the detriment of the wider range of practice which underpins asset management.

Elsewhere in the UK, the Department for Education and Skills (DFES) produced a comprehensive set of guidance in support of the introduction of asset management in local authority schools estate. This provided a detailed set of guidance in several separate volumes. The Office for Government

Commerce (OGC) produced a publication aimed principally at central government departments, 'Pillars of Success' which identified critical practice for asset management and a 'road map' to support its implementation.

Shah et al (2006) write that the most extensive range of policy and practice guidance has been developed in Australia and New Zealand as pioneers of asset management. They provide a detailed commentary on this guidance at the national level and on a state by state basis highlighting some key initiatives. The guidance includes the National Public Works Council (NPW) in Australia which published the Total Asset Management Guidelines (TAM) with the aim to reduce the demand for new assets and to ensure existing assets are properly maintained. In 2000 the State of Victoria Department of Treasury and Finance published a Government Asset Management Policy Statement 'Sustaining our Assets' with its central principle being that service delivery needs form the basis of asset management practice and decisions.

In Queensland, the Department of Public works (DPW) published SAM (Strategic Asset Management Guidelines) which documented responsibilities of public sector asset owners, users and managers and provided information and direction on all aspects of physical assets throughout their life cycle. Further the Queensland Property Management Committee published a report in 1998 which identified a number of asset management policies and procedures which resulted in the development of a government web based asset management knowledge system which Shah et al (2006) write has over 1500 web pages and 34,000 hyperlinks to guidance, policies and further information sources. Within Canada the National Research Council joined with the Federation of Canadian Municipalities to create the National Guide to

Sustainable Infrastructure (2003) which provides a detailed compendium of practice, principally developed for the utilities and highways infrastructure.

Guidance for countries in transition has Kaganova & Nayyar-Stone (2000) argue has been produced through donor agencies such as the World Bank. The volume of this work is limited, but includes Asset Management Models for Local Governments (2000) produced by the Urban Institute and USAID as part of a local government reform project in Croatia, and a guidebook the Management of Public Property Assets in the Cities of Kyrgyzstan (2002) produced for the same donor agencies. The researcher is not aware of any recent guidance on asset management, as opposed to property management produced for specifically municipal government in Russia.

Published guidance can be generally classified into four broad categories. Whilst there may be some overlap each have an approach which means it can be described as being either in the form of a checklist, following a property life-cycle approach, with a hierarchical structure or in guidebook form.

The checklist approach presents guidance in the form of a list of things to do, often arranged in sections corresponding to key themes. Whilst these tend to be comprehensive, easy to understand and use, they also suffer from a lack of differentiation between the criteria in terms of relative importance and there is no sense of sequence or order to the practice. In the life-cycle approach guidance is presented in a logical 'real-life' way against natural stages in the life of property, such as acquisition, use and disposal. Practice is presented at each stage linked to the life-cycle logic of property which makes it relatively easy for practitioners to understand. In the hierarchical form guidance is

presented as a series of levels with an implied sequence and dependency in practice. The higher level being dependant on lower level practice being in place or indicates a greater degree level of sophistication.

The guidebook form presents practice as part of a wider analysis of how to manage property or through an analysis of specific issues. Such guidance gives useful context and rationale for defined practice but recommended practice is not always easy to distil from narrative or not always summarised in a clear, structured way. The summary characteristics of the main types of guidance, with examples are given in Table 8 below. Whilst some guidance can be reasonably classified as being in more than one category they have each been allocated to the category of their predominant characteristic.

Table 8 – Summary of 'Best Practice' Guidance in Asset Management

Type			
Checklist	Hierarchical	Life-Cycle	Guidebook
Summary			
Guidance given in the form of a list of things to do. Arranged in topics or sections.	Guidance is given as a series of levels with an implied sequence and dependency.	Guidance usually presented against the natural stages in the life of property.	The guidance given within the context of a wider analysis of how to manage property.
Strengths			
Comprehensive & easy to use as arranged by topic	There is a sequence of practice implied	Has a Real life logic which is easy to understand	Guidance set often against a wider context
Weaknesses			
No differentiation of importance No sequence	Levels tend to be poorly developed	Not always fully comprehensive	Practice not easy to distil from text No simple logic
Examples			
Consortium of Local Authorities Wales (2001)	Department of Transport, Environment & Regions (2000)	Government of Victoria (2002)	Audit Commission. (2000)

3.3.2 A Critical Review of Current Guidance

Although there is now a substantial and growing body of best practice

guidance a comprehensive literature review reveals that there has been little critical analysis of this guidance. Whilst each piece of existing best practice guidance is comprehensive and a valuable resource for practitioners they have as a collective body of material a number of general deficiencies which can be identified and which may inhibit the widespread effective implementation of asset management.

Whilst comprehensive, no one single source of published guidance can be considered as complete. In all cases it is possible to identify some areas of omission within the guidance. Furthermore, much guidance is not structured in an easy to follow way; or is simply poorly structured. This is perhaps the most significant deficiency in current guidance as major stimulus to implementing asset management is a structured step-by-step framework against which organisations can develop their practices and measure their progress.

Most guidance takes a 'checklist' approach which, whilst being relatively simple to understand, lacks any definition as to what is more or less important and tends to place equal relevance to each identified element of practice. Practitioners need an understanding of what is most important so that they can focus their efforts to secure the most impact.

Most guidance gives no indication of the relative order in which recommended practice should be implemented or any understanding of the dependencies between elements of practice. This is a major obstacle to organisations and individual practitioners who want to understand the sequence in which things need to be done in order to ensure effective implementation of asset

management. Sequence and dependencies gives practitioners a useful structure through which to develop their asset management capacity.

As the guidance was written at the same time and for the same purpose each set of guidance has tended to 'borrow' extensively from previous guidance and all the guidance therefore tends to present the same practice in a similar way. The lack of alternative approaches is a practical deficiency because people and organisations tend to plan and implement ideas in different ways according to the prevailing circumstances in their organisation and their levels of experience and capacity.

With the exception of CLAW (2001) most guidance has in the main been written by those outside local government for those inside, with only limited practitioner input. This may act as a general constraint on its applicability because it has been written by those without a detailed internal perspective of local government property management.

The current practice guidance concentrates on process rather than philosophy. Interviews with practitioners have emphasised that as a minimum the prevailing culture of an organisation in terms of its operating philosophy with respect to asset management is just as important, if not more important, than process in implementing effective asset management. Any practice guidance on asset management implementation must therefore attempt to address this as well as process issues.

In some cases the guidance can be considered as too prescriptive with very detailed and minor considerations being identified as mandatory or very

precise definition of matters which are of very little relevance to effective asset management. This over prescription may be a disadvantage as it may constrain original thinking in implementing asset management practice or encourage organisation to slavishly follow detailed guidance whilst ignoring the more important overarching concepts.

The current guidance has also in the view of the Australian Local Government Association (2001) distorted the views of practitioners with many seeing asset management in terms of what they do rather than what it provides; that is there has been more attention on process rather than outcomes. The Australian Local Government Association (2001) suggest that asset management is not well defined or understood, there is a need to disseminate good practice with a major issue being that practitioners tend to focus on process rather than outcomes. As Brzeski & Kaczmarski (2002) similarly argue the basic characteristics of asset management should emphasise goals, objectives and long-term decisions rather than executing procedures which currently dominate asset management practice.

In summary, whilst the existing best practice guidance for asset management in local government is comprehensive its overall value is constrained in many cases by the lack of a simple structure within which to apply its recommended practice elements and with which to provide overall coherence to the development of asset management. There is also a propensity revealed through the literature for guidance to focus on the process aspects of asset management, rather than on rationale or outcomes. That is to say there is a concentration on how to do it, rather than why do it, and what it achieves.

3.3.3 The Concept of 'Best Practice'

'Best practice' is a subjective, value-laden term and as such requires a brief comment in the context of this research. Best practice can be described as '*a technique or methodology that through experience and research has proven reliably to lead to a desired result*'. In this sense it provides an exemplar for others to follow. Some such as Alsop (2007) have commented on the term in an adverse way. Alsop (2007) describes '*the two worst words are best practice*' as they stifle innovation and experimentation. Similarly McKellar (2007) argues for the '*need to focus on next practice rather than best practice*' which is consistent with the spirit of asset management which is concerned with innovation.

Brannan et al (2006) argue that best practice originated in the private sector as a tool to benchmark performance against competitors and thus to stimulate improvement. In this sense it can even be seen as part of the NPM reforms discussed in Chapter 2 of which it was suggested asset management also forms one of the threads. In the context of local government best practice can, in the view of Brannan et al (2006), even be considered within the realm of performance management; with perhaps a more subtle means than explicit targets and measures to exert control. Best practice in the view of Brannan et al (2006) assumes the diffusion of innovation on the basis of demonstrable success evident through its use collectively or at exemplar organisations. The profile and status accorded to best practice acts as a stimulus to their widespread adoption but as revealed in the narrative framing the research focus in Chapter 1 this proposition in the field of asset management has not been demonstrated.

There is a risk that best practice can distort focus with the maxim 'what gets measured gets managed' placing emphasis on process which is a characteristic of most practice guidance in asset management at the expense of outcomes or client satisfaction. Burns et al (2000) identify for asset management to be effective it should focus on performance and outcomes, rather than process and they argue that to date central government guidance, donor funded advice and professional practitioner guidance has tended to focus on prescribing process rather than encouraging outcomes.

One of the complicating factors in best practice argues Skyrme (2001) is that there are often different views on what represents a successful outcome, with different stakeholders having different perspectives. Further Skyrme (2001) adds that in some aspects of measurement it is difficult to deduce a direct relationship between cause and effect and hence in many cases best practice can not be deduced through objective measures but through subjective judgement. This is a dilemma relevant to the focus of this research; as identified in chapter 1 there has been no test of the orthodoxy that best practice in asset management leads to successful outcomes and that adherence to best practice is a reliable proxy for good outcomes.

3.3.4 Critical Success factors for Asset Management

The existence of best practice in itself implies a set of criteria which are important for asset management. However commentators have also argued that there are a few factors within this wealth of practice which are critical for effective asset management. There is a broad coincidence of views on what these factors are. Mason (2005) identifies them as a strong corporate culture, senior political and officer engagement and leadership. The requirement for

leadership is a common theme echoed by others such as Carter (2000), Stanton (2003), Male (2006), Davis (2007) and Hardy (2007). Whilst this is expressed as individual, personal leadership; Male (2006) also identifies the need for strong policy direction from central government as important. Commentators such as Varnier (2001), Kaganova (2003), RICS (2004) and Fernholz & Fernholz (2006) point to the need for comprehensive, accurate information as the foundation for asset management. Yet others such as Taylor (2004) and Lyons (2004) identify skills and capacity as a critical requirement or as in the case of Kenley & Heywood (2000) and Davis (2007) the need for a clear strategic vision.

The Office of Government Commerce (OGC) in their guidance to central government departments provided a route-map for effective asset management. This is based on four critical factors which the OGC (2007) argue are the foundation for effective asset management. These four factors are identified as leadership and integration, benchmarking and standards, skills and capacity and review and challenge. The National Audit Office (NAO) in a report specifically concerned with central government office property identified what they considered were the '*key enablers*' for effective asset management. The NAO (2007) stated that these included, governance; policies and procedures; capacity and capability and data and performance.

The term critical success factor implies a pre-condition necessary for effective asset management outcomes. However the literature review has shown asset management is an embryonic discipline still evolving, which is a transformation from the existing discipline of property management and which because of its long term nature it is difficult to provide convincing proof of

what constitute successful outcomes. This research is directed to examining the link between, rationale, practice and outcomes and the term 'change factor' sits more comfortably with this process of transformation organisations go through as they move from property management to asset management, and thus this is the preferred terminology for the purposes for this research.

3.4 Models to Describe Asset Management

There are also a range of models which help to describe and analyse asset management. Whilst these are useful tools to explain asset management and position organisations in terms of their development or maturity they tend in the view of several commentators such as Deakin (1999) and Rose (2004) to have little supporting detail on how to do asset management.

Kaganova & Undeland (2002) and Kaganova et al (2000) identify the Denver model developed by the city administration in Colorado as an early framework for describing municipal asset management. It presents a hierarchy of levels for asset management based on an inventory level, an accounting level, and a strategy implementation level and asset categorisation according to type and management objectives. Whilst acknowledging the limitations of this model Kaganova & Undeland (2002) argue that it was one of the earliest municipal approaches to asset management which provided an initial template for others to follow and was widely used, for example through USAID funded projects.

Burns et al (2001) have also presented a model which defines six levels of practice from a low level of understanding, through moderate and high level of understanding to good strategic direction, community commitment and ultimately regional integration. In similar vein Male (2006) identifies that

within the UK the Institute of Asset Management (IAM) has developed a framework to describe asset management, termed the 'Maturity Matrix'. This describes the elements of practice that would be expected to be present at different levels of maturity in asset management. It thus provides organisations with a framework within in which to place their level of development in asset management and an indication of what practice constitutes excellence. Male (2006) applied this model in a research report directed to improving property asset management in central government.

The Maturity matrix sets out the levels of transition from unawareness to excellence for eight components underpinning asset management through a scale comprising: unawareness, awareness, knowledge, competence and excellence. Whilst initially written from the perspective of the utility and government sector it has a more general application to all sectors and all types of organisations. Male (2006) writes that the IAM use the maturity matrix to identify two generic types of asset management organisations; which they characterise as those with a basic approach and those with an advanced approach.

As described in Chapter 2 Deakin (1999) also provides a model to describe the evolution of corporate real estate management (CREM), the private sector equivalent to asset management. This identifies six intervening stages from a traditional 'providing and mainting' role for assets to one of 'social entrepreneurialism'. As also identified in section 2.3.1 Godden (2007) and Cox (2007) have identified stages in the evolution of asset management. Whilst not presented by these commentators in this form; these too can be considered as models to describe the maturity of asset management.

These analytical models can be characterised argues Deakin (1999) into two broad categories; those that look at adoption of practice as an indicator of maturity and those that look at roles. Despite the range of models identified above, and others to describe asset management, it still, in the view of some commentators, such as Gibson (1999) and Rose (2004), lacks a clear coherent framework with which to fully describe it. As Rose (2004) argues:-

> *'Whilst there is an intuitive interest in asset management concepts many practitioners struggle to turn the concepts into reality and an important characteristic of good asset management is the existence of a conceptual framework that provides a step by step guide on how to introduce and develop asset management'*

3.5 Ambiguity, Complexity & Contradictions in Asset Management

Drawing together the broad factors influencing the development of asset management presented in Chapter 2 with Lloyds (2007) definition of asset management as a transformation from and evolution of property management it is possible to develop a simple composite view of the influences on, and development of asset management, as illustrated in diagram 5 overleaf.

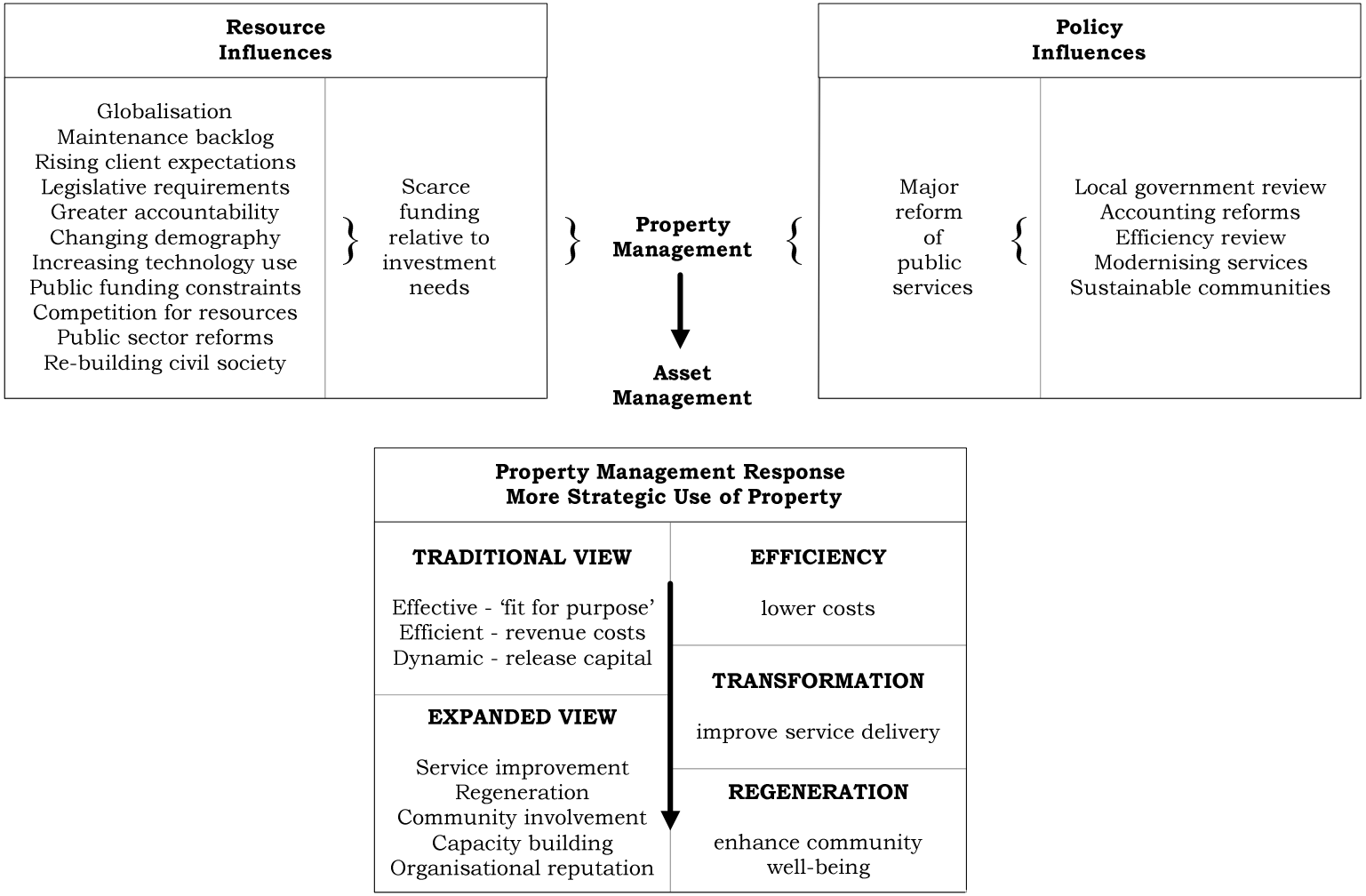
From the literature review it can be seen that asset management is a new discipline emerging from the transformation of an existing discipline of property management. It represents an evolution from a 'traditional stewardship' view of property to one of 'public entrepreneurialism' and from an operationally focussed view of property to one which promotes consideration of buildings as a strategic asset of an organisation. This transformation has been driven by a range of policy and resource influences. These reform drivers have

included New Public Management, the recognition in an era of resource constraint of the potential financial and economic gains associated with property holdings and the realisation that property assets have a stragic value as a major component of public wealth. It can be argued that asset management is a relatively under-developed discipline which can be viewed as a transition from property management and is part of a process of change that has taken place without a clear framework of guidance.

There is a rising level of interest in asset management across the world and variations in the degree of maturity in its development. Even in those countries where it is furthest advanced it remains largely in its infancy. The top-down, central government policy driven asset management, as typified by the UK, is at the more advanced spectrum of maturity in comparison with the externally advocated brand of asset management typified by countries in transition like Russia.

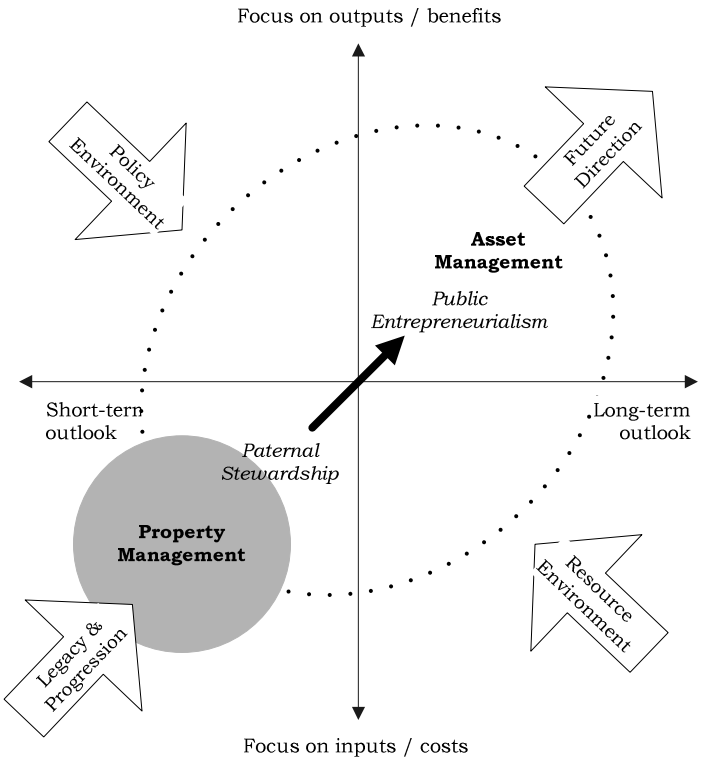
Examining the relationship between why organisations do asset management, how they do it and what they achieve may provide an understanding of what factors influence this transformation or characterise organisations that have undergone the transformation. The nature of the transformation is shown in simple diagrammatic form in Figure 6 below adapted from the ideas of Deakin (1999) and Jenkins, Beamish & Smith (2006). This shows asset management as a progression from a paternal stewardship role to one of public entrepreneurialism influenced by the wider policy and resource environment in which local government has been operating. The terms 'paternal stewardship' and 'public entrepreneurialism' have been adopted as descriptive labels for organisations at extreme stages in the transformation process.

Figure 5 – Emergence of Asset management – Influences and Responses



This approach to characterising the nature of the transformation can be extended to advance a broad typology of asset management relating to the four quadrants of the model presented by Lloyd (2007) to position organisations according to their maturity in asset management. Such a simple typology can provide a metric with which to position organisations as to their current state and future progression of asset management. Understanding the key change factors which promote this transformation in organisations is an important key to an improved understanding of asset management as a discipline.

Figure 6 – The Nature of Asset Management Transformation.



The literature review has identified some ambiguities, complexities and contradictions in asset management. There is no simple, precise definition of the discipline, and thus, a certain lack of clarity about its purpose and scope. The complexity and long term nature of property as a physical resource means that there is no simple method to identify the right way to manage it; whilst at

the same time best practice guidance which is used as a proxy measure for asset management outcomes contains an implicit indication that there is a proper way of doing asset management.

Cox (2007) has identified the inherent complexities in asset management in the local government context as a result of its multiplicity of stakeholders engaged in the activity. Cox (2007) identifies politicians, service managers, asset management professionals and citizens who all have an interest in municipal asset management and characterises their different interests. Politicians are concerned with opinions and are used to working with ambiguity; managers seek clarity and want to see numbers or results and professionals have an aura of mystery with their own jargon and are concerned with judgements and standards. Finally, citizens as the ultimate beneficiaries of asset management want tangible outcomes but may also feel they have little influence or power to resolve things.

The characterisation of asset management as a transformation from property management and its strategic nature means that there may be different types of asset management; or at least different paths in its evolution. This transformation raises several questions. The most significant of these are what are the key change factors influencing this transformation, whether there are intervening stages between the paternal stewardship and public entrepreneurialism roles and whether there is a linear evolution between the two disciplines or divergent paths to the same end state. These questions are some of the issues examined through the field work.

Despite a growing volume of practice guidance this transformation of property

management to asset management is taking place as Deakin (1999) and Rose (2004) argue without a clear conceptual framework to guide its development. This omission may act as an inhibitor to its continued development. There is a need, as articulated by Rose (2004), for a new analytical framework with which to describe asset management. Chapter 5 provides such a framework as an alternative model to those that currently exist, as a contribution to the debate on the nature of asset management and as a mechanism for exploring the questions framed by the research.

SECTION 3

METHODOLOGICAL & ANALYTICAL APPROACH

CHAPTER 4

Research Design and Methodological Challenges

4.1 Research Rationale and Design

Greenhalgh and Taylor (1997) state clarification of why research is being done, what question is being addressed, and why, should be clear in any research work. The general context and basis for this research was explained in section 1 with reference to the limited extent of previous analytical work in the area of municipal property asset management. This rationale was further amplified through the literature review which implied some ambiguities, complexities and contradictions in asset management.

The literature review confirmed the lack of specific analysis into the relationship between rationale, practice and outcomes in asset management and also a possible contradiction from the use of best practice as a proxy indicator of effective asset management. Given the complexity of property as an asset and its long-term nature it is difficult to determine whether there is an optimum way of managing property. Rather than there being a single correct way of undertaking asset management there may be a range of approaches which represent either distinct stages in the evolution of asset management or alternative typologies of the discipline.

Anastas (2004) identifies as a common criticism of qualitative research the lack of adequate information about the methodology used. If study findings are to be accepted as credible then explanation of the methods used must, Anastas (2004) argues, be in sufficient detail to allow replication. This chapter

is intended to address this need through a comprehensive description of the methodological approach adopted and its limitations. The chapter initially identifies the key stages of the research methodology, describing the processes followed and the underlying rationale for these. It then considers in some depth issues raised by qualitative research using case studies, which is the principal research strategy adopted. Specific methodological issues addressed through the research design and the limitations of the methodology are discussed and finally the chapter concludes with a discussion on more general issues of ensuring the trustworthiness of the research.

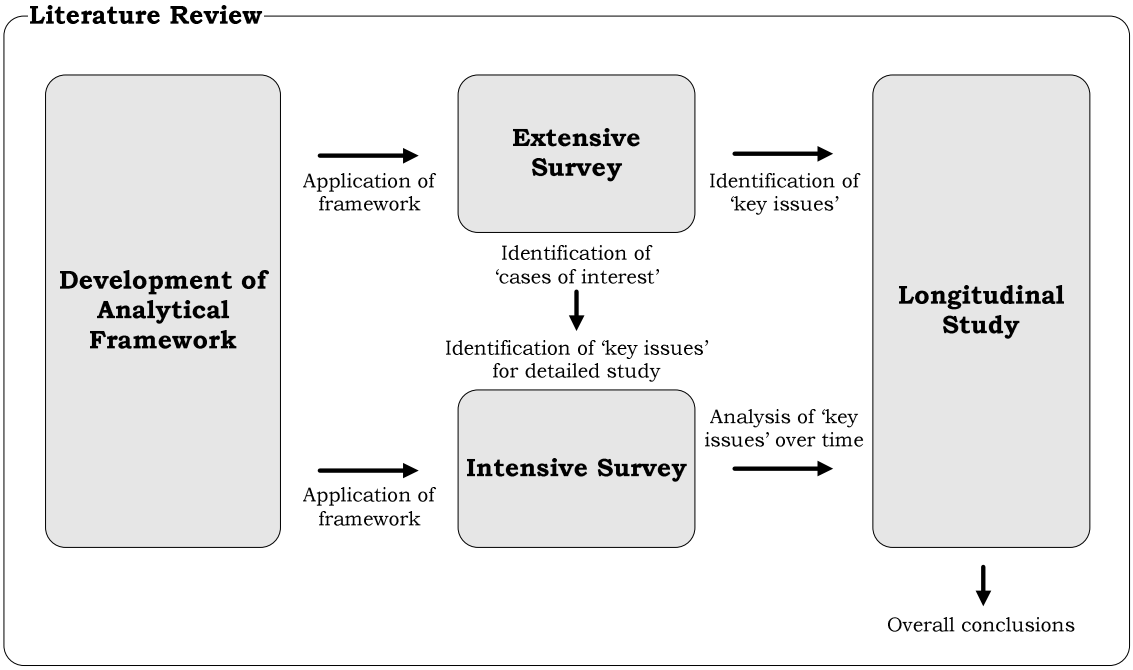
4.2 The Overall Research Methodology and its Key Stages

The research was organised in four distinct phases as illustrated in Figure 7 and described below. These phases were set within the context provided by the literature review of the preceding section. It is important to emphasise that whilst not identified and described as a specific stage in the methodology the literature review was both a precursor to, and an on-going part of the research process which helped to shape lines of enquiry in an iterative way. The literature review continued throughout the data collection stages and allowed continued reflection on the research hypothesis.

The first phase was the development of an analytical framework with which to analyse the implementation of asset management in local government. The need for such a framework was identified in the literature review which implied that a lack of a clear conceptual framework describing what asset management is and how to do it was acting as a constraint to its implementation as a distinctive discipline. The analytical framework provided a series of models to identify why councils did asset management (rationale),

how they did it (practice) and what they achieved (outcomes) under a broad conceptual definition of its purpose and scope. In particular the framework was designed to examine the relationships between rationale, practice and outcomes in order to test the primary research hypothesis.

Figure 7 – Summary of Overall Research Methodology



The second phase was an extensive survey designed to provide breadth in applying the analytical framework. This provided some preliminary testing of the main research hypothesis, a frame from which to select cases for detailed examination within the intensive survey and the identification of the key change factors in the development of asset management. It was based on single day visits at each council to apply the models and included an interview with one person with responsibility for asset management in each case. The interview followed a pre-defined, semi-structured format in order to apply the models in a consistent way. Some basic factual information about the municipality and its portfolio was also gathered in each case; using readily

available material such as published accounts, asset management plans or property strategies. The extensive survey provided a broad sampling frame from which to identify individual case studies for intensive investigation.

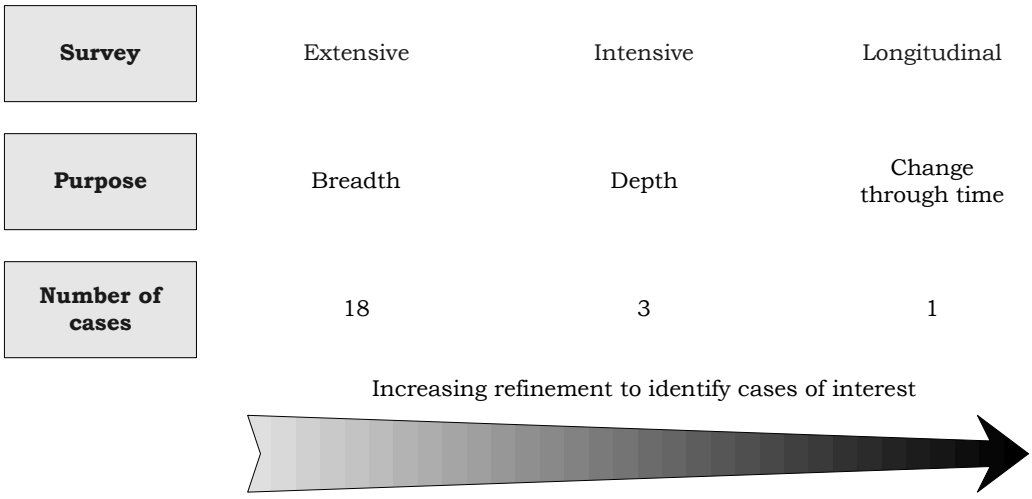
The third phase of the research was detailed case studies at selected councils drawn from the extensive survey. These were selected from those councils used as part of the extensive survey with two councils being studied in the UK and one in Russia. The selected cases were identified from the extensive survey as 'being of interest' as either examples of extremes of 'good' or 'bad' cases of asset management or where a significant catalyst was prompting a 'step change' in their approach to asset management. The case study councils were visited over a period of several days to examine issues in more detail. The visits were focussed around interviews with a range of participants using a semi-structured interview format. This was supplemented by a review of relevant documents. The interviews explored critical factors that facilitated the development of asset management from the perspective of each organisation.

The final phase of the research was a return visit to one of the selected detailed case studies to examine changes over an elapsed period of 18 months. This was in part in recognition that asset management has a long gestation period before results can be recognised and in part to allow more detailed examination of where changes have occurred and how this links to an understanding of asset management. This part of the study included follow up interviews with selected participants to explore changes that have occurred and to review emerging explanations from the field work at that point.

The use of both an extensive survey of a large number of councils and an

intensive survey of a few selected councils ensured both breadth and depth to the research data ensuring valid and reliable interpretations could be made in generating explanations. The combination of moving from an extensive survey of many, to an intensive survey of a few, and then a longitudinal survey allowed a refined selection process to identify and examine in detail those organisations which exemplified strength or weakness in asset management and from which lessons of wider application could be learnt. This refinement process through the field work is illustrated in Figure 8 below.

Figure 8 – Case Selection and Refinement through Field-work



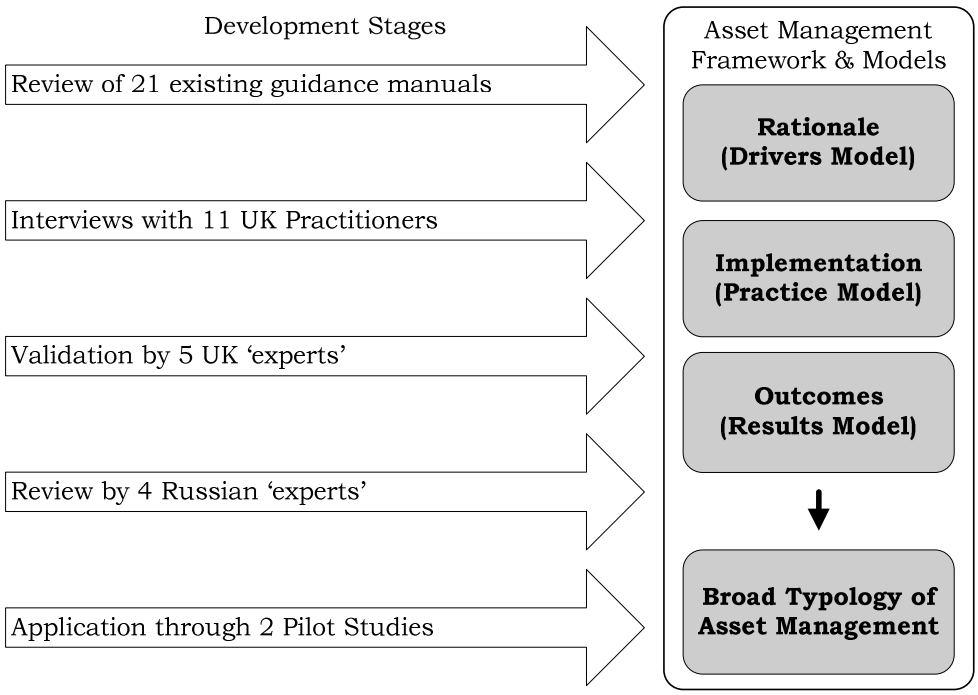
4.2.1 Development of an Analytical Framework

This phase of the research was both theoretical and practical. It attempted to provide an analytical framework which as well as acting an aid to understand asset management, provided a tool to measure why organisations undertook asset management, how they did it, and what they achieved. It focused therefore on the rationale, practice and outcomes of asset management. The thinking which underpinned the analytical framework is described in depth in the following chapter and so the narrative in this section is restricted to its development process.

The analytical framework was developed in five stages as shown in the Figure 9 below. The first four stages were undertaken on an overlapping basis so that different perspectives from each group could be used to inform the framework and act as a catalyst to stimulate discussion on aspects of the models in an iterative way.

An initial 'first pass' framework was developed from a review of existing guidance in asset management worldwide. Whilst this was not an exhaustive review of all published guidance it was nevertheless a comprehensive review looking at over 20 significant publications of best practice; the majority of which were written at a national level for wide scale application within the public sector. This existing guidance was re-structured and supplemented with the researcher's own views based on practical work experience in the field of asset management to develop a 'first pass' framework

Figure 9 – Development Process for the Analytical Framework



This initial analytical framework was then refined by comparison with the views of a sample of practitioners from United Kingdom local government through a qualitative survey using semi-structured interviews. These practitioners were drawn from councils which were short-listed for Beacon Status in asset management under the Beacon Council Scheme. These councils were therefore representative of leading local government organisations in asset management; although it should be noted that these councils were also self-selecting in that they were drawn from the few councils which applied for Beacon status. Several councils with well respected asset management practices chose not to apply under the Beacon Council Scheme. Whilst these practitioners were aware of existing UK practice guidance they provided a useful validation exercise to improve the robustness of the generated models. The analysis was undertaken with the participants 'blind' to the models with emerging views used to create a 'refined framework'. See Appendices 1 and 2 for a full list of the practitioners interviewed and the prompts used in semi-structured interviews.

The framework was then subject to 'peer review' by a small panel of national experts in asset management in the United Kingdom to create a validated analytical framework. These were respected authoritative figures that were acknowledged leaders in asset management. They were shown the models and asked for comments to improve their overall rigour and strength. See Appendix 1 for a list of the panel of national experts.

The models that comprised the analytical framework were subsequently reviewed by practitioners and experts within the Russian Federation to test its applicability to local government in Russia. The purpose of this process was to

examine whether there were legal, cultural or organisational factors which may have restricted transferability of the models; or whether ambiguities in concepts and terminology may have inhibited their use. This created a 'generalised' framework. See Appendix 1 for a list of experts and practitioners from within the Russian Federation who reviewed the model.

Finally the developed models were tested through a pilot study at a single council in both the United Kingdom and the Russian Federation. This identified that the model could be understood and confirmed practical issues around conducting the field work such as timescales, and availability of data.

The development of the analytical framework drew extensively on United Kingdom practice and the views of UK practitioners and experts rather than those in the Russian Federation. This was in part because of the conventional wisdom, confirmed by the literature review that the UK is perceived as being at the leading edge of local government asset management practice world-wide; although application of the model was also intended to assist in confirming whether this was the case. It was also in part a pragmatic approach, given the financial considerations in undertaking extensive field work in Russia. Written best practice material from around the world was reviewed in the course of developing the framework. Although this best practice is not listed as a separate appendix full references are included within the bibliography.

4.2.2 Extensive Survey

The case study councils were chosen to provide a mix of authorities in terms of population size, range of functions and perceived status in asset management. Councils were not chosen as representative of councils at large but to provide

a broad sampling frame. Within the UK, latest Comprehensive Performance Assessments (CPAs) from the Audit Commission (2005) were used as a proxy to identify 'good' and 'bad' councils in asset management as the 'Use of Resources' component of the CPA scores councils on their approach to asset management. This was supplemented by using the Beacon Status scheme in asset management which identifies good example of asset management as well as the researcher's own professional and practitioner knowledge from working in the field. Within Russia advice was sought from the Congress of Municipalities of the Russian Federation to identify a potential mix of municipalities in terms of perceived strength in asset management; although the choice of case studies was also tempered by practical considerations concerning field work costs and time.

The purpose of the case selection approach was to identify a broad mix of councils against which to apply the analytical framework and to provide some context and rationale for selection of authorities for more detailed intensive case study work. The selected cases provided a wide range of councils and perspectives which created richness in their variation. The selection of councils was also intended to provide councils at the extremes in terms of perceived status in asset management as a contribution to the broad qualitative evaluation. The case studies were not identified as a numerical or other representative sample of councils at large but rather as those which may be able to reveal something of interest within the scope of the research question; namely those that may be strong or weak in asset management. This approach to case selection is consistent with the purposive sampling approach for qualitative research which Hoepfl (1997) identifies as the dominant sampling strategy in qualitative research and one which seeks information-

rich cases which can be studied in depth.

4.2.3 Intensive Survey

The extensive survey was used to identify a small number of councils to examine in more detail. These were selected on the basis of application of the analytical framework which identified those with demonstrable strength or weakness in asset management. One 'good' and one 'bad' council in the UK and one of interest in Russia were selected making three case study councils in total.

The field work at each of the case studies was conducted in a similar manner over several days. Interviews were held with between six and ten individuals to gain a rounded perspective of asset management in the council. This included at least one interviewee from the asset management function, a representative from a service perspective (such as a property occupier), someone with a corporate planning or strategic perspective and a senior political decision maker. The interviews followed a semi-structured format concentrating on what were the identified change factors in asset management and what were the facilitators and barriers to successful asset management. Notes were taken at all interviews and transcribed to provide a record of the interview. The models of the analytical framework used through the extensive survey phase were also used as devices around which to discuss key issues and to explore explanations for the findings they revealed for each case study council.

4.2.4 Longitudinal Survey

The critical point at focus through the longitudinal study was the examination of how the case study organisation changed its attitudes towards asset

management and to identify whether changes in rationale or process improvements were being reflected in improved outcomes. It allowed a more detailed history of the council to be explored and improved the richness and variety of data to ensure triangulation of the research findings. One of the three cases from the intensive survey was examined through the longitudinal study and this was selected on the basis of being the organisation most likely to change as a consequence of its current state of maturity or as a consequence of intended actions.

4.3 Qualitative Research through Case Studies

4.3.1 The nature of qualitative research

There has been a long debate about the relative merits of the two main strands of research inquiry. The distinction between quantitative and qualitative approaches to research are summarised succinctly by Hoepfl (1997) who suggests quantitative research uses experimental methods and numerical measures to test hypothetical generalizations; whereas qualitative research uses a naturalistic approach that seeks to understand phenomena in a context specific setting. Each represents a different inquiry paradigm with the research methodology based on the underlying assumptions of each paradigm. Hoepfl (1997) characterises the respective approaches by suggesting quantitative research seeks causal, determination, prediction and generalization of findings and qualitative research instead seeks illumination, understanding and extrapolation to similar situations.

Another pragmatic distinction between the two methodological approaches is that quantitative research focuses on the 'H' questions (how many, how often etc.) and that qualitative research focuses on the 'W' questions (what, why and

when). Whilst this may be a simplistic distinction it confirms the predominantly qualitative nature of this research which is directed to understanding, what are the common characteristics of organisations that are successful in asset management, why are these characteristics important and when do they occur.

Gill and Johnson (2002) articulate a deductive approach to research is one where a theoretical hypothesis is defined prior to its testing through empirical observation; whereas an inductive approach is concerned with the development of explanation from what has been observed. This distinction between the deductive and inductive approach confirms this research study as combining both research approaches as it seeks to test a specific hypothesis as well as using recorded observations, in the form of interviews in the field as part of the process of developing explanatory findings. Induction, Gill and Johnson (2002) state is concerned with learning by reflecting on experience and through the generation of theories that explain experiences. A justification for an inductive approach which resonates with this research study is based on the view that a theory developed from empirical research is more likely to fit the data and thus more likely to be plausible, useful and easy to understand.

Hoepfl (1997) identifies three common risks in 'purposeful sampling' which as previously discussed is considered the primary sampling strategy within qualitative research which has been used as the basis of this research study. These relate to potential distortions caused by insufficient breadth in sampling, distortions by changes over time and by the lack of depth in sampling. The methodological approach to this study has attempted to minimise these risks by adopting a strategy which embraces breadth through

the extensive survey; depth through the intensive survey and changes over time through the longitudinal study.

An underlying concern in qualitative research is the need for reliability. The notion of triangulation has become as Gilbert (2001) suggests a salient feature of research methodology with the use of different approaches to increase confidence in the outcomes of research. Quoting Denzin from The Research Act in Sociology (2001), Gilbert (2001) describes four different kinds of triangulation. Data triangulation is where data is collected at different times, different locations or from different people; interviewer triangulation where there is multiple rather than a single observer or researcher; theory triangulation, where more than one approach is used to generate categories of analysis and methodological triangulation where different techniques are used to collect and analyse data.

The research study can claim to have met the demand for reliability through the use of three of these forms of triangulation. The study has used multiple case studies to examine issues from different organisational perspectives and over time. Both a deductive approach to test a specific hypothesis and an inductive approach to seek patterns have been combined in order to find explanation and theory within the scope of the research. Data has also been collected from a variety of sources, including interviews and document reviews. The interview approach used has also been targeted to embrace a diversity of views and experiences.

4.3.2 The Use of Case Studies

Case studies are a common research method used in the field of public

administration and public policy. Cousin and Jenkins (2006), quoting Adelman et al (1980), write that a case study is '*an instance in action*'. They suggest it is conventional to think of a case as in some sense a '*bounded system*', such as a single organisation under natural conditions. They argue the more natural the boundaries the more treatment of what lies within the case will have prima facie validity. They also suggest that the case study approach to research is neutral between qualitative and quantitative methods so that it can be used within any methodological paradigm capable of studying an exemplary instance. Yin (1994) similarly argues that case studies allow investigations to retain the meaningful characteristics of real life events.

The case study approach has been adopted for this research as it allows, as Kitchen & Tate (2000) suggest, for particular issues to be studied in depth and from a variety of perspectives. In this study a multi-design approach has been used in order to provide a more holistic view of the primary research questions and in order to provide a richness and variety to the case studies. It has adopted a graded approach, moving from the more superficial examination of many during the extensive survey stage, to the more detailed examination of few during the intensive survey and longitudinal survey.

Case study research is particularly appropriate where in-depth investigation of a single or a few instances is likely to yield insights into the wider class from which the instances are drawn. Whilst representativeness is argued as a potential limitation in case study research by Leonard (2000), with the problem of '*some never supporting the conclusion of all*', it can also be viewed, as Cousin and Jenkins (2006) suggest, as adjudicating between generalisable findings and local effects. The intention through case studies is to throw light

on a relatively familiar context so that new or revised theory, concepts and hypothesis can be developed. Rodgers and Jensen (2001) identify a broad typology of case studies. This typology includes 'patchwork case studies' and 'longitudinal studies' both of which have been used within this research methodology. Patchwork case studies include a set of multiple case studies and longitudinal case studies include a single case study which is examined at different time points.

4.4 Methodological Issues addressed through the Research Design

4.4.1 Data collection and analysis

Russell and King (2003) identify there are three techniques commonly used for data collection. This research study used direct questioning of study participants through interviews, as opposed to the alternatives of observation or critical document review, as the primary data collection strategy in the case study work.

Gilbert (2001) identifies interviewing as having a central role into research on attitudes and as arguably the most widely used research method. He identifies a range of interviewing techniques from structured, through semi-structured to unstructured; with the more un-structured approaches being appropriate to provide the rich and detailed material required in qualitative analysis. Gilbert (2001) also explores the terms interview 'schedule' and interview 'guide' as indicative of the nature of an interview. The term 'schedule' equating to a rigid and defined set of questions more suited to a structured interview, with the term 'guide' implying more loosely defined questions typical in semi-structured interviews. The flexibility inherent in the interview 'guide' of un-structured interviews allows the interviewer to explain and explore issues that were not

anticipated in the design of the research methodology and this was the approach adopted for this research. The conduct of the interviews was consistent with a defining characteristic of qualitative research as presented by Anastas (2004); namely that there is flexibility in method so that there is an ability to respond to findings as they emerge.

The use of interviews allows participants to express what is important in their own words, whilst allowing the researcher to probe for details and to seek more depth. This was the experience of the researcher in the field where new lines of enquiry could be explored, as and when, they arose. The researcher also became aware of a degree of caution in responses from those interviewed within Russian municipalities. The exact reason for this could not be determined but is perhaps related to a cultural difference and an instinctive requirement of those interviewed within Russia to 'provide the required official response', rather than their own personal views, on issues. In contrast, within the UK in some cases there was perhaps more openness than might normally be expected in an interview, with perhaps more forthright views being expressed on the basis that it was a practitioner talking with practitioner on a subject familiar to both.

4.4.2 Missing, Incomplete or Unreliable Data

As Carpenter and Kenward (2006) suggest missing data is ubiquitous in social science research and incomplete data introduces ambiguity into the inferences that can be drawn from research. The potential for incomplete data in this study was initially recognised in the research design stage and confirmed at subsequent pilot testing of the analytical framework. An initial intention to gather a broad range of statistical data on each municipality's portfolio was

modified and data collection during the extensive field survey stage was therefore restricted to a minimum of data to quantify the municipality and its portfolio and from which to derive the defined outcomes measures.

Where possible data collection was limited to that which was likely to be readily available through published documents, such as the municipality's statement of accounts. The original intention was to collect a range of data to develop a composite measure for an 'optimised' portfolio as a measure of outcomes, derived from eight parameters measuring different financial and non-financial aspects of the portfolio. Whilst this data was still collected, primary emphasis was placed on capturing the more limited data required for developing a single measure for an 'optimised' portfolio. The concept of an 'optimised' portfolio and the basis for measuring this are discussed more fully in the next chapter.

Data collection was recognised as being potentially problematic at the outset; in part because of the literature review and the implicit assumption underlying the research hypothesis, that adherence to best practice was used as a proxy indicator for effective asset management, as outcomes are difficult to measure. A pragmatic approach was adopted which sought to use available data as proxy measures for where more appropriate data was not available. For example, capital receipts as indicator of surplus property, or energy costs as an indicator of total running costs.

It was also recognised that some data such as total floor-space of the portfolio may be difficult to collect precisely and so best estimates were accepted as alternatives; or that some data, such as user satisfaction, would be very

subjective due to differing approaches used to measuring it; if it was measured at all. The approach adopted was to collect the data as far as possible in a consistent way across all the case studies. Whilst accepting that the crudeness and potential inconsistencies in data collection could undermine the confidence in the conclusions derived; the data collection strategy was intended to derive a basic set of data which in part could be used to examine the relationship between rationale, practice and outcomes, which was the focus of the research.

4.4.3 Case study selection

Purposive sampling was the predominant strategy used for case selection. The power of purposive sampling lies in the ability to select information rich cases for in-depth analysis of the central research questions being posed. Patton (1990) has identified several different instances of purposive sampling and certain of these have been combined within the scope of this research study.

These include stratified purposive sampling for the extensive survey phase where population size, council type and perceived status in asset management were criteria used to create a broad sample set for analysis. Extreme purposive sampling was used at the intensive survey phase in order to learn from cases which were at opposite ends in the spectrum of adoption of asset management practice. However opportunistic purposive sampling was also a factor in the intensive survey case selections to follow up to areas of interest revealed through the initial field work of the extensive phase. It must also be acknowledged, in the case of Russia, that an element of convenience purposive sampling was used in order to save time, money and effort in field work. This therefore exposes this element of research to the risk of this sampling

approach identified by Patton (1990) of lowering its credibility because of the poor rationale associated with case selection.

Within the UK knowledge of individual councils in respect of perceived performance in asset management was available to aid in case selection, through the researcher's own practitioner expertise and contacts; and through the use of professional practitioner bodies, such as the Local Government Asset Management Planning Network and COPROP (Chief Corporate Property Officers Association). In Russia, with the absence of any practitioner contacts, advice was sought from the Congress of the Municipalities of the Russian Federation; a representative body for local government in Russia and the Institute for Urban Economics. The latter, in particular was able through its consultancy work with municipalities provide useful direction and contacts with a range of municipalities.

4.4.4 The Practitioner as Researcher

The Cabinet Office (2003) report on Quality in Qualitative Evaluation suggests reflexivity is concerned with reflections on how researchers themselves may impact on the research process and its findings. Similarly, Anastas (2004) identifies as one characteristic of qualitative research that it includes both the subjective experiences of the researcher and research participants as data. Mays and Pope (2000) also remark the personal intellectual bias of the researchers needs to be explicit at the outset of any qualitative research to enhance the validity of its findings. In this context the researcher own background as a practitioner in asset management needs to be amplified.

The researcher is a practitioner in the field of local government asset

management of long standing and has been involved in developing asset management policy and practice at his own authority since the inception of asset management in UK local government in the late 1990's. As well as this practitioner perspective the researcher brings with him a personal interest in the field developed through previous research work comparing municipal property management in the UK and Russia. There is an inherent risk that this brings with it some research bias in the form of fixed views established with 'weary eyes', rather than a more analytical approach that may be adopted with 'fresh eyes'. To counteract this risk a structured methodology was used with emphasis on ensuring reliability. In particular the analytical framework which underpins the research was subject to a rigorous process of challenge and validation through interviews with a range of practitioners and experts.

Leonard (2000) writes that most research involves a strict separation between the researcher and the practitioner, with this polarity viewed as preserving the objectivity of the research. As the researcher is also a practitioner within the field of asset management such objectivity can not be claimed. Leonard (2000) also argues for the need for the researcher to be critically reflective to ensure that the *'taken for granteds'* and '*underlying assumptions'* are questioned. Whilst some subjectivity may be inherent given the researcher's background, this subjectivity has been balanced to some degree by an approach which has sought at all stages of the research to engage widely and to encourage those practitioners interviewed themselves to reflect on the questions at the core of this research. In this way the methodology has reflected Leonard's (2000) view that with researcher and practitioner both being critically reflective there is an increased opportunity for creativity where traditional norms and assumptions are challenged. Whereas it is relevant in the case of this thesis to identify that

objectivity and neutrality may have been reduced through the practitioner working as a researcher it is also suggested that richness and insight may have been enhanced because of this practitioner perspective.

4.4.5 The Comparative Element – Working on an International Basis

The relevance of the comparative element of the research was identified in both chapters 2 and 3 through reference to the differences in perceived maturity of asset management across the world and the implicit assumption revealed through the literature review that the UK is ahead in asset management, in contrast to most other parts of the world, and the lack of international comparisons in assert management. The comparative element was also included in order to provide some additional richness to examining the research questions. Russia was used for the international comparison as it enabled the researcher to utilise accumulated knowledge from previous work in the country and with a pragmatic acknowledgement that earlier contacts gained through this work would facilitate the comparison more quickly than in any other country. However, working across the cultural, language and institutional divide between the two countries imposed some specific issues that the research design and methodology had to recognise and address.

An area of particular concern within the design of this research study was in ensuring that the concepts under examination were understood both in the UK and Russia. Whilst the term '*asset management*' is now accepted as common currency in UK local government, it is perhaps only in embryonic use in Russia. In both countries however the term is not easily understood and defined. For the purpose of this study and particularly in the context of Russia

the term '*strategic municipal property management*' was also used as a kind of proxy term for asset management as an aid to understanding.

A critical stage in development of the analytical framework was a review by Russian experts and practitioners to make the models relevant to Russia. This inevitably required some generalisation of terminology to make it more readily transferable. Individual terms such as those used within the models that comprise the analytical framework may have a narrower, more specific and uniform meaning in Russia than is the case in the UK. Such terms may invoke a 'standard definition' which may be inconsistent with the more general meaning which is trying to be conveyed through the model. Whilst within the model specific terms are used; during interviews and application of the models during field work in Russia alternative terminology was also used as an aid to explanation and amplification of terminology. The range of terms which may have a different immediate definition between the UK and Russia are numerous but a few are considered here to illustrate the practical considerations that needed to be kept in focus during field work in Russia.

'*Organisation*' in the context of the analytical framework is used to embrace structure, range of authority, skills and capacity. Whilst this scope may be readily associated with the term in the UK, there is less confidence of such a wide interpretation in Russia; although an alternative term is not easy to identify. The term '*corporate*' meaning on behalf of 'the council as a single legal entity' is not readily understood in a municipal context in Russia as it tends to be thought of only in relation to private, commercial businesses. In the UK '*corporate*' is a commonly used term in local government and often apparent in the organisational structure. The term '*municipal*' rather than

'corporate' was therefore used as an alternative explanation of the concept.

The use of the word *'consultation'* has a similar understanding in UK and Russia; although its interpretation in Russia may be narrower than in the UK. Alternative terms of *'engagement'* and *'relations'* are helpful words to amplify understanding in the Russia context. The term '*stakeholder'* as *'a person or an organisation with an interest'* is not easily transferable to Russia, but the closest alternative terms like *'users'* are also not adequate and may induce a quite limited interpretation of the concept. The terms *'policy'* and *'planning'* are both problematic in terms of their transferability. *'Policy'* can have a meaning in Russia associated with the conceptualisation of ideas but not necessarily with the associated delivery. Similarly the term *'planning'* can mean a very specific programme of action that *'must be delivered'* rather than a more general discipline of identifying objectives and setting a broad course of action to meet these. In field work in Russia both terms were used together to try and convey a more complete view of what policy means within the UK.

A further issue of note was negotiating access to Russian municipalities during the extensive survey stage. Whilst UK councils were readily amenable to support the research work and the interviewees open in their responses to questions this was in contrast to councils in Russia. There was in some cases a reluctance to participate and alternative councils from those originally approached had to be identified in some cases; and in those that did participate there was a noticeable wariness in the answers of the interviewees and, in some cases, an unwillingness to provide requested data. The overriding impression was that UK case study organisations were willing to express honest views regardless of the light it shone on their own organisations,

whereas the Russian municipalities were more anxious to be seen to be answering correctly, and certainly to avoid any implicit criticism of their own organisations. This is recorded as a general observation to be borne in mind when reading the findings from the field work.

4.4.6 Limitations of the Methodology Adopted

The overall research methodology has been framed to explore and obtain deeper understanding of the relationship between rationale, practice and outcomes in asset management and to evaluate through case studies what are critical facilitators to the development of asset management in local government. The methodology adopted a range of strategies to ensure the research study findings were credible, confirmable and capable of wider application to the debate on the development of asset management. The credibility of the overall approach also demands however that the limitations of the methodology are identified.

As the Council of Europe (1998) identifies municipal management practices can differ considerably and it can therefore be difficult to compare systems of property management. In contrast to the UK, the administrative practices of municipalities in Russia are less geared to management efficiency and more to the legitimacy of administrative areas, and it is therefore hard to comment on differences in property management practices which have different primary purposes. However, as Kaganova and McKellar (2006) also argue, the underlying issues of property management are similar even in different countries; although the institutional contexts and the attempted policy solutions may be different. It is this mix of similar problems but different strategies for addressing them that provides the rationale for the comparative

element of the research. The examination of two countries with differences in perceived level of development of asset management and with differing historical, legal and cultural contexts provided a richness to illuminate the understanding of asset management.

Working in two different countries caused many practical problems. A particular consideration in context of the research design and approach was the researcher is lack of awareness about municipal property asset management in Russia. Whilst in the UK there were a range of sources, experts and practitioner networks as well as the researcher's own knowledge from which to identify perceived 'good' and 'bad' councils, such mechanisms were not readily available in the Russia. The purposive sampling approach used in the research may therefore be undermined to a degree as case selection in Russia for the extensive survey was made on a more limited knowledge base and thus there was less surety about the richness and variety of councils used.

Negotiating access to officials and politicians in Russia was more problematic than in the UK. Whilst this is understandable given language and cultural differences, it did also mean the ability to get a variety of interviewees to provide richness and diversity of views in Russian municipalities was more constrained than in the UK. Whilst in the researcher's opinion this did not compromise the field work to any significant degree it is important to recognise this when reading the conclusions from the field work.

4.5 Promoting the Trustworthiness of the Research

One method of promoting the transferability of qualitative research Anastas

(2004) argues is by ensuring that the framing of the research question is itself relevant to the service delivery context in which it is set and to allow divergent perspectives on the issue to emerge. This implies a comprehensive discussion of the background in which the research is set; richness in the data collected through the research process and a methodology which can be audited. The overall research methodology adopted, case study selection and data collection strategy have all been designed to respond to this requirement.

Golafshani (2003) argues that both quantitative and qualitative researchers need to test and demonstrate that their studies are credible. He argues that whilst validity and reliability are treated as separate concepts in qualitative research they tend to be treated collectively in qualitative research with alternative terminology such as credibility, transferability and trustworthiness used. Efforts have been made to enhance the overall credibility of the research by standardisation of data collection techniques, documenting all interviews and the use of rich narrative descriptions of the intensive case study organisations, where possible using interviewees own words to convey accurate meaning of expressed sentiments. It is intended that the reader of this thesis can trace a logical path from the initial hypothesis through the research design, to expressed views of case study participants and the interpretation of these into a wider understanding of asset management.

4.6 Summary

The overall research design and methodology has been directed to answering the primary research questions identified in Chapter 1. The use of an extensive survey or many cases with an intensive survey of a few cases set within an international comparison has provided richness to the data and

thus a range or perspectives on the issues examined. The methodology was designed to promote rigour and to ensure credibility in its findings. However, in reading the findings from the field work and the emerging conclusions it should be recognised that data to measure outcomes from asset management was incomplete, or in several cases missing. There was a recognisable difference between the UK and Russia in the readiness of interviewees to express full and open views, with those in Russia being generally more guarded in their responses.

CHAPTER 5

Analytical Framework

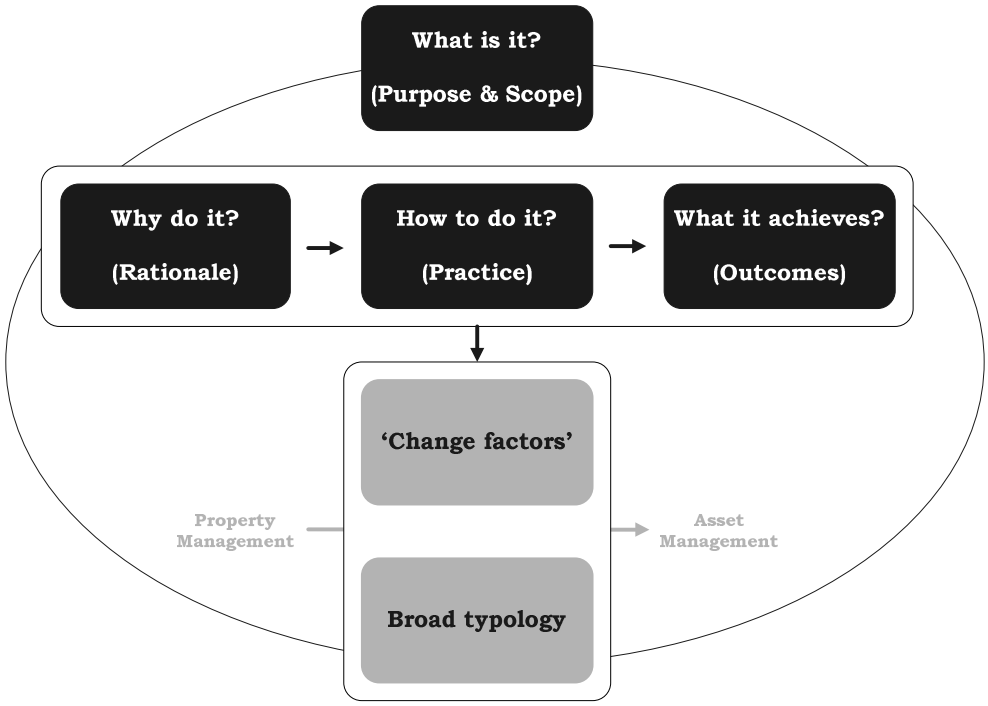
The literature review in Chapters two and three of Section one identified that asset management is an immature activity whose nature and scope is still evolving. It also revealed that there is a degree or misunderstanding about asset management. This chapter describes the analytical framework which was developed for use through this research. The development process for the analytical framework was described in Chapter 4 whereas this chapter describes in more detail the nature of the components that comprise the framework.

5.1 A Framework for Understanding Asset Management

Chapter 3 identified that there was a lack of understanding about asset management which in part was because there is not a simple, single definition of the concept. Indeed, the implication was that a single definition was inadequate to describe asset management except in broad terms and that what was required was a range of definitions which underpinned the concept by amplifying it in terms of its purpose, rationale, activities and outcomes. Such an approach can provide a framework to help practitioners understand asset management by describing what it is and how you do it, and also provide organisations with a tool to assess its implementation. The stimulus for this approach was provided by Gibson's (1999) contention that the nature of asset management could be more fully revealed through multiple, rather than a single a definition of the term. This notion has been extended through the development of the analytical framework, which has attempted to describe the 'what', 'why' and 'how' of asset management.

Assuming a broad conceptual understanding of its purpose, the analytical framework provides a tool to examine why organisations do asset management (rationale), how they do it (practice) and what they achieve (results). This provides a mechanism to test the primary research hypothesis concerning the relationship between rationale, practice and outcomes. It can also provide a new understanding of asset management through identification of the change factors in the transformation of asset management from property management and a broad 'typology' of asset management which draws these aspects together. The analytical framework developed for the research is shown in Figure 10 below.

Figure 10 – An Analytical Framework for Asset Management



The analytical framework comprises three individual models. The first model identifies the main influences on why councils do asset management. The second model measures the extent to which councils have adopted best practice. The third model measures what councils have achieved in terms of

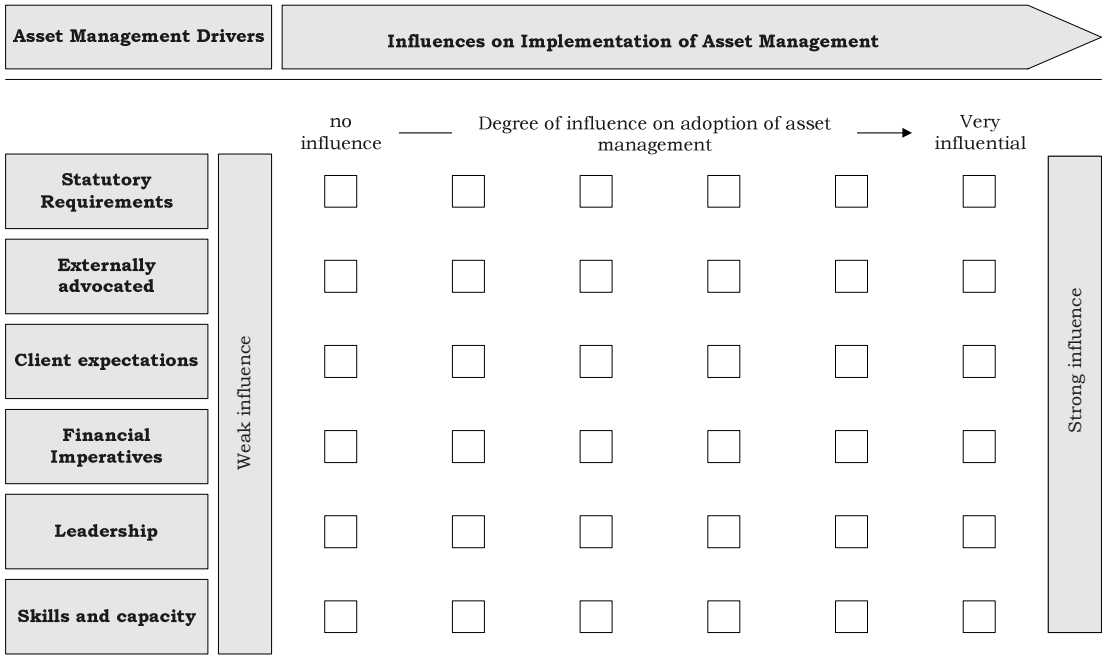
results from asset management as measured through their property portfolios. The drivers and outcomes have been developed to a more simplistic and superficial level in comparison with the practice model. This was in part a reflection of the availability of existing literature in these areas but also, an acknowledgement of a key line of enquiry through the research, with the practice model providing the principle tool with which to identify the critical individual characteristics of practice that underpin the nature of successful asset management as a transformation from property management. As well as an analytical tool to measure the adoption of best practice it was used through the case study interview process as tool to isolate individual characteristics of effective asset management in discussion with practitioners.

5.2 Measuring the Rationale for Asset Management

A simple model to measure what were the key influences in adopting asset management was developed based on a six key drivers. These were grouped as either external or internal drivers; or both. The drivers were identified through a development process that included a review of literature, existing practice guidance and from the views of experts and practitioners. The number of drivers selected was limited to six broad categories which were capable of reflecting more specific circumstances which may have influenced the introduction of asset management. Interviewees at each case study organisation were asked to assess the strength of influence of each driver on a scale of 1 to 6 on their organisation's adoption of asset management. This gave a simple summary understanding of the motives for introducing asset management and the more specific factors under each driver were examined further through interview.

The intention was to understand which driver or drivers were the primary motivator for the introduction of asset management and how this linked through to the adoption of practice and ultimately to outcomes. The figure below summarises the drivers and the approach adopted through interview to assess the influence of each. These could then be summarised in visual form using the diagram illustrated with a simple scoring frame to illustrate the relative strengths of each driver. The model was not used quantitatively but as an 'interview tool' to understand specific factors driving the adoption of asset management in each case study organisation.

Figure 11 – Model to Measure Rationale for Asset Management



5.3 Measuring Asset Management Practice

As Rose (2004) suggests whilst there is an intuitive interest in asset management concepts many practitioners struggle to turn the concepts into reality *due to a lack of a conceptual framework that provides a step by step guide on how to introduce and develop asset management*. The practice model

was developed in part to provide such a framework whilst also being used as a device to measure the adoption of practice. The model was developed as a normative model of best practice by structuring the elements of practice identified through a review of relevant world-wide guidance. It also attempted to resolve some of the deficiencies identified in existing practice guidance. This guidance on asset management reviewed in Chapter 3 presents in the researcher's view an incomplete and often poorly structured framework to define asset management practice and this alternative model was based on identifying the key components which underpin asset management and within each component defining the types of practice which distinguish asset management from operational property management in a graded way.

This has been created as a set of practice against a number of key components. Within each component the practice is presented as a set of sequential activities which can provide organisations with guidance on what to do and also a mechanism to measure their progress in implementing asset management. Each activity has a set of supporting criteria (or evidence) which allows easy confirmation of whether the activity is taking place. The overall model therefore provides a metric to position an organisation's implementation in terms of asset management practice as a whole and also for each of its individual components. It was also intended to address the deficiency identified by Rose (2004) of a lack of a step by step implementation guide for asset management. It is based on a synthesis of recommended best practice internationally and thus provides a 'normative' model of practice.

The process of developing the model identified eight basic components which underpin asset management. These components are related and inter-

dependant and there is also an implied order of need in supporting asset management. Although the existing guidance does not identify all these components in the researchers view the list below presents a simple framework for structuring thinking on asset management and is consistent with concepts identified in the existing guidance. The hierarchy of components is summarised in a simple list form in Table 9 below with a rationale and commentary for each discussed more fully in the following sections.

Table 9 – Components Underpinning Asset Management Practice

Desire to change shown by *culture* provides a basis for asset management to develop
A framework of *governance* is required because of the value of property as a resource
Capacity & expertise in the *organisation* is required to promote asset management
Information is necessary to understand issues and opportunities in the portfolio
Engagement with stakeholders is necessary to understand objectives and priorities
Appropriate *policy* is required to translate these requirements into achievable plans
Plans and on-going management need to be assessed properly in *accounting* terms
Finally i*mplementation* is needed to provide tangible outcomes from these processes

Interviews with practitioners identified that in their opinion philosophy was at least, if not more important, than process in implementing asset management. Indeed the practitioners interviewed asserted that commitment and attitude was a necessary pre-requisite for asset management with process by itself not sufficient. This was an area that had not been fully examined within the existing practice guidance and the practice model has attempted to address this deficiency using practitioners' views to define what was required.

Given that asset management as an activity deals with assets of considerable value and is concerned with significant investment decisions it is important

as, Jolicoueurs and Barrett (2004) suggest, that it happens within a framework which ensures transparency in decision making. Similarly, Fernholz & Fernholz (2006) argue, that an open process of information generation and sharing helps to improve not only internal government capacity for decision making, but also to involve the public and spark interest among potential entrepreneurs for partnerships that can enhance the financial and social performance of the municipality. This governance aspect of asset management is largely overlooked in existing guidance, yet as local government is the closet level of government to the citizen and decisions on assets have large financial considerations it is important that the public have confidence in the environment in which such decisions are made. Transparency of decision making by local representative bodies is therefore a key principle which should underlie municipal property management.

The literature review suggests that in order to be effective asset management requires a 'champion' plus an appropriate level of authority and skills to drive it forward as a distinctive role. Therefore, how asset management is represented in organisational terms provides an indication of the commitment and capacity of an organisation to undertake this role. Burns et al (2001) note asset management needs an identifiable role to develop, co-ordinate and promote it. Similarly the Audit Commission (2000) suggests councils need to ensure that property is represented at the highest decision making level so that it can be integrated with overall resource and strategic planning. Whilst the importance of organisation is recognised by some commentators such as Burns et al (2001); and RICS (2004) it is not universally identified as a critical requirement. In the researchers view this is an omission and it is therefore presented as a separate component in the practice model.

Whilst there is acknowledgement of the need for a designated lead officer and for a senior cross-service group to consider asset management issues within UK guidance, such as the DETR (2001) and the RICS (2005), there is little other guidance on organisational matters. The exception to this is the corporate ownership of property which is a necessary requirement identified by most guidance. This requires corporate ownership in a real practical sense rather than in merely a nominal way. Given that people provide the commitment, enthusiasm, and skills to put ideas into practice the omission of any significant guidance on organisation is in the researcher's view an area of omission and thus a range of practice is presented which underpins implementation of asset management. The practice in this component is drawn from existing guidance where, whilst the requirements are not explicitly stated, the concepts can be inferred.

As Vanier (2001) agues efficient information management is the key to better decision-making for municipal infrastructure with the quality of information being a determinant of the effectiveness of decisions. Comprehensive, complete and current information is therefore an important component of asset management and is recognised as such in all published guidance. Raw information by itself is not sufficient but understanding of the portfolio or real 'intelligence' can provide opportunities to identify and respond to emerging issues and trends in an innovative way. In identifying the lack of information about property on which to base decisions as a major barrier to better use of assets the Audit Commission (2000) is also at the same time recognising information as an important underlying component for asset management.

All existing guidance recognises the need for an asset inventory with the

'Denver Framework' discussed by Kaganova and Nayyar-Stone (2000) identifying it as a fundamental building block in its hierarchical model of practice; and Worely Ltd (2000) implying knowledge of property ownership as the most important aspect of asset management. The need to categorise assets by type is not explicitly stated but generally implied within guidance, and in the researcher's view, is worthy of explicit reference because, as Kaganova and Nayyar-Stone (2000) state, classification of property according to use with goals against these is pivotal to effective asset management. Core data, such as condition and suitability, is recognised in all guidance but other data, such as running cost and value, is often overlooked. Running cost in the researcher's view needs to be recognised as a core data requirement as it is a recurring charge against a council's budget. Performance data is recognised but this tends at a whole portfolio level rather than for individual buildings where it is necessary for invest or divest decisions. Availability of comprehensive information at both an individual property and whole portfolio level provides the 'intelligence' on which to act to secure improvements in the portfolio.

Asset management is concerned with ensuring property supports the objectives of the organisation. In order to achieve this it is important that consultation takes place with a wide range of stakeholders with an interest in property in order to understand their aspirations, priorities and the implications of these in terms of the portfolio. This is only recognised partially in current published guidance, although the RICS (2004) state consultation across all organisational functions is an essential pre-requisite for asset management, with an ability to understand, prioritise and act upon their needs required in order to adjust the organisation's portfolio.

There are differing views on the importance of consultation to asset management in existing guidance. These range from complete absence of any commentary at one extreme to RICS (2004) guidance which identifies consultation with stakeholders as fundamental for asset management as it is necessary to align property to service needs, helps in prioritising use of resources, encourages working partnerships and alerts the council to incipient problems. Even the RICS guidance tends to emphasise consultation within the council with service users and decision makers rather than engagement with the wide range of external stakeholders who may have an influence on property matters. Ultimately it is citizens as users of municipal buildings whose views are paramount and there needs to be some way in engaging with them either directly or indirectly. Ashford Borough Council (2005), in their presentation for Beacon Value status for asset management, identified the importance of stakeholder engagement with all sectors of the community.

If asset management is concerned with adjusting the portfolio in response to changing organisational needs then it requires mechanisms that assist in translating these needs into tangible outcomes. This planning activity, as the Audit Commission (2000) identifies, needs, in the case of asset management, to be tightly integrated with service planning, overall resource planning and strategic decision making. It should be an integral part of the organisations corporate planning framework.

Planning and policy development in its widest sense is at the heart of asset management. As, CLG (2007 & 2008) suggest, planning is necessary to translate organisational objectives into action by describing what needs to be

done when. A planning process is required which identifies the asset implications of an organisation's corporate and service priorities. As these change so they will impact on the portfolio by changing the nature of demand for property in terms of its size, type and location. DETR (2000) and Bournemouth Borough Council (2005) suggest asset management should be integrated with the council's strategic planning framework in order to assist in the delivery of council services.

Whilst existing guidance recognises the need for planning at a whole portfolio level or for discrete service areas, and also the need for asset management to support corporate and service plans; it does not identify planning at an individual building level as a requirement. As ultimately the delivery of asset management plans impact on individual buildings in work undertaken then this is a gap in the existing practice which has been addressed through the model. The need for a clear strategic direction for property management through a long term vision is acknowledged in all guidance. The RICS (2008g) argue the need for the development of a shared vision to underpin asset management. They stress however the difficulty in developing such a vision and the need to secure consensus which is difficult to create for a planning horizon in excess of ten years and where customer expectations are changing.

Given that a basic concept underlying asset management is that it has value and costs money to use and maintain the absence of practice guidance for its treatment in accounting terms is noticeable. Whilst there is some recognition of the need to understand asset value and recurring operating costs practice guidance on financial aspects of property is scarce in comparison with the other components of practice.

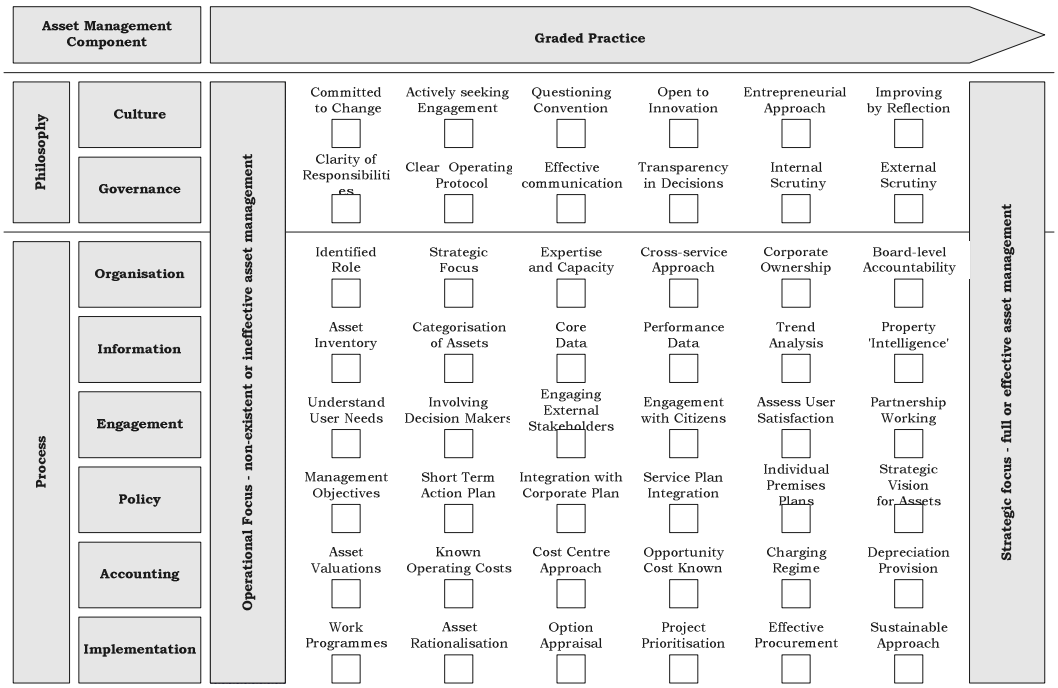
In recognising property as an asset with significant value its treatment in accounting terms must also in the researcher's view be a component of asset management. Whilst this is implicit in published guidance it has not been identified explicitly. This is a serious omission, because if asset management is concerned with providing better buildings which are maintained and renewed over the long term, then the financial implications of this need to be recognised. As Burns et al (2001) argue the cost of wear and tear of assets and their growing obsolescence needs to be provided for as depreciation is a cost which needs to be borne by an organisation at some point; either through on-going maintenance or full asset replacement at the end of its life. The Audit Commission (2000) suggest owning property has an 'opportunity cost' which may tie up investment that could be directed elsewhere and councils need to consider using asset charging as a mechanism to control costs.

Finally, as Burns et al (2001) suggest effective asset management requires a focus not simply on processes but on delivery. Action is the critical component of asset management because it is the one which translates the others into physical changes to the portfolio. Bournemouth Borough Council (2005) argued in their Beacon Status application that asset management should be a commitment to action. Whilst this is recognised in practice guidance there has tended to be a lack of clarity about which activities are necessary to effect real change to the portfolio. The Audit Commission (2000) identifies the need for councils to challenge why they own property as a key action; with the implication that they should consider retention or disposal of individual buildings depending on how effectively they are being used.

A summary of the practice model for Asset Management is given below. It was

developed as a 'diagnostic tool' for use in the field and comprises an overall framework with 8 components in two dimensions (philosophy and process). Each component has 6 elements of practice making 48 'practice cells' in total. Each 'practice cell' has in turn a set of evidence (5 criteria) which amplifies the practice and are indicative of whether the practice is in use. Thus in total the model has 240 criteria which can be used to measure the implementation of asset management and which represents the distillation of best practice world-wide, and the views of experts and practitioners.

Figure 12 – Model to Measure Asset Management Practice



No attempt was made to weight the individual elements of practice although it is recognised that they may be viewed with different level of importance in different organisations. It was felt that to attempt to weight the model would imply a level of sophistication which may have proved unhelpful and the model was left in its un-weighted stated; so that individual organisations could apply their own view on relative importance.

5.4 Measuring Asset Management Outcomes

The search for a single, simple measure to assess outcomes from asset management is something of a holy grail and despite the efforts of professional and practitioner associations no such measure has been defined. Pittman & Parker (1989) for example, identify how difficult it is to construct measures of efficiency and performance for property management. This is in part because property can be viewed, as Avis et al (1998) identify, from several different perspectives and each perspective may have different management objectives and thus different implied measures of outcome. Avis et al (1998) argue that property can be seen from a financial perspective as a resource which can consume or generate money, as a physical asset whose condition is important or from a user perspective where concerns about suitability, comfort and convenience are important. Also, in reality, as McDough (2002) identifies, different types of property exist within a single portfolio and these may be held for different reasons and therefore may have different management objectives.

The nature of property with these differing perspectives was revealed through the literature review and this, Burns (2002) has argued, is a complicating factor in its measurement. Burns (2002) identifies a key question to ask is whether it is possible to isolate the effects attributable to property as a single overarching outcome measure can not reflect the detail and richness required by the constituent parts of the portfolio.

Whilst a single overarching measure has been elusive to determine there has been extensive research into different aspects of performance for asset management within both the private and public sector. This work, such as that by DETR (2000), CLG (2007 & 2008) and RICS (2008), have tended to

concentrate on measures at a sub-portfolio level; for certain types of buildings, like offices, or for certain types of activities, like rent collection, rather than for the portfolio as whole. Similarly, there has been work within practitioner associations to develop benchmarks to facilitate performance comparisons. Indeed the requirements of published guidance in the UK stress the development of such performance measures as a key requirement of best practice. This guidance stresses the need to link performance measures to service outcomes to demonstrate the contribution asset management is making to corporate priorities. This is problematic because it is hard to identify and quantify the contribution asset management makes along with other components to such outcomes. Whilst, for example a good building of the right quality may contribute to educational attainment of school children, it is likely to be only a single contributory factor from a range of factors and therefore difficult to isolate and quantify its impact against other factors.

In the researcher's view there have been two problematic areas in the research and practitioner work to date. One is the attempt to find outcome measures that embrace both consideration of the asset base and the achievement of organisational objectives. It is difficult to isolate and quantify the contribution good asset management might make to organisational objectives amongst other factors. The second is that whilst using the term performance and outcomes the measures to date have primarily concentrated on inputs or processes; that is to say best practice as a proxy for outcomes.

Where work has been done, it has McDough (2002) argues, concentrated on gaining an understanding of those characteristics of an organisation that contribute to an enhanced level of performance. Using this approach both

Veale (1989) and Pitman and Parker (1989) identified the pre-requisites for good asset management performance. Many of these factors, like a centralised team or comprehensive data, have also been commented on by other authors but these tend to focus on inputs rather than outputs. The work to date has proceeded on the general assumption that measuring and comparing asset management across different organisations is difficult and that the input and process approach is the only practical option.

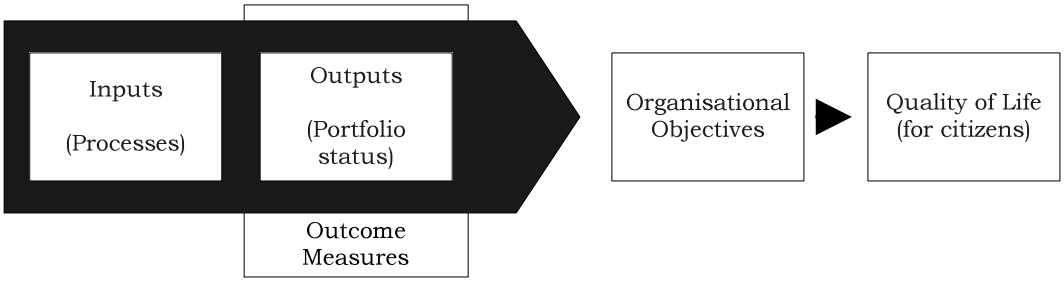
As McDough (2002) argues identifying good performance in a portfolio of investment properties or a private business is much easier than for a council whose portfolio is mixed, but principally directed to providing services. Whilst quantitative measures such as rate of return or sales per square foot can be easily identified for investment properties or a commercial business; in contrast asset management outputs in local government are usually internal inputs to another part of an overall process concerned with achieving council's organisational objectives. As such they are likely to be closely tied to the nature of the council, and do not have a wider market in which pricing or performance comparisons can be made, and therefore very difficult to measure across a range of differently structured and focussed organisations.

Lindholm & Levainen (2006) identify the characteristics of property performance measures which they argue should be appropriate to what is being measured, reliable, to provide consistency of results; practical in terms of the cost and convenience of collection and relevant. These basic principles have guided the choice of output measures used as the basis for this research.

In order to develop a coherent theoretical thread to the research and avoid

these problems an approach was taken based on a simple assumption; that better buildings contribute to a better quality of life for citizens. An approach which attempted to look at the 'status' of the assets rather than the organisational or process arrangements around the activity of managing it was used. This is shwon in Figure 13 below which illustrates asset management as part of an overall process of the council's activity in serving the community.

Figure 13 - Scope of Asset Management Outcome Measures



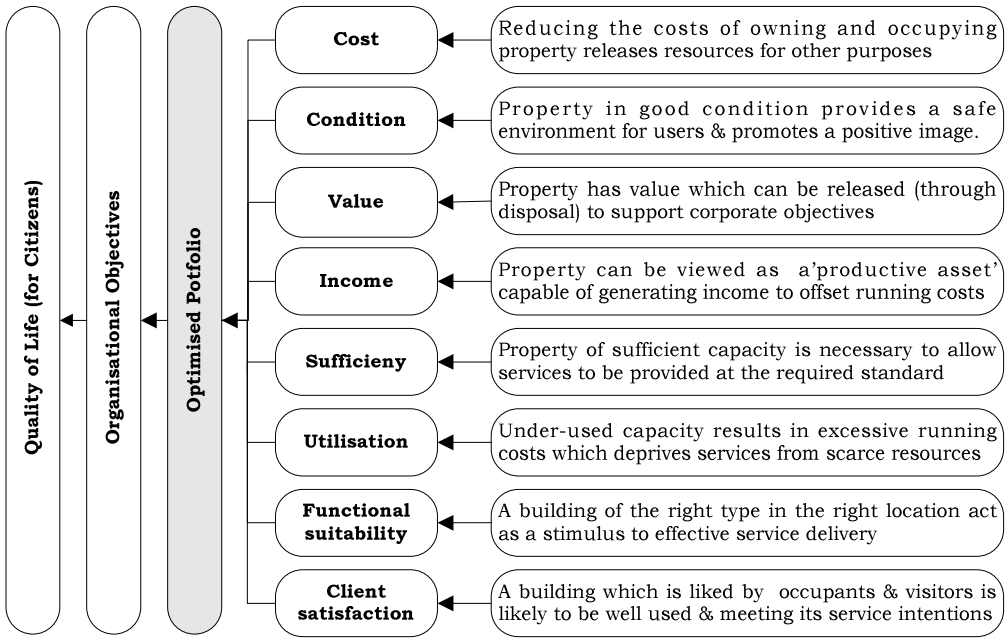
A pragmatic approach has been adopted for the purpose of this research. Whilst accepting that ultimately good asset management contributes to effective service delivery and this in turn to the 'quality of life', a model to measure outcomes of asset management has been developed based on what would be the anticipated characteristics of an 'optimised' portfolio. It draws on, and adds to, ideas from Oxford Brookes University and a model developed by Hertfordshire county Council (2005) to provide a framework to quantify performance at a whole portfolio level.

This approach has some limitations which need to be recognised. These are, that different councils have different sizes of portfolio, with a different mix of buildings types, so that term 'optimised' may have a different meaning. Use of a large number of measures to provide a rounded view of the portfolio would be a preference over a smaller number but this poses difficulty in data

collection. A compromise approach was used with eight measures for a range of perspectives to determine an overall assessment of the portfolio. The measures used were reviewed by practitioners and experts during their development to assess their appropriateness and robustness. To ensure easy comparison between different organisations the performance measures used broad dimensions which were not easily influenced by geography or affected by the nature and scale of the organisations themselves.

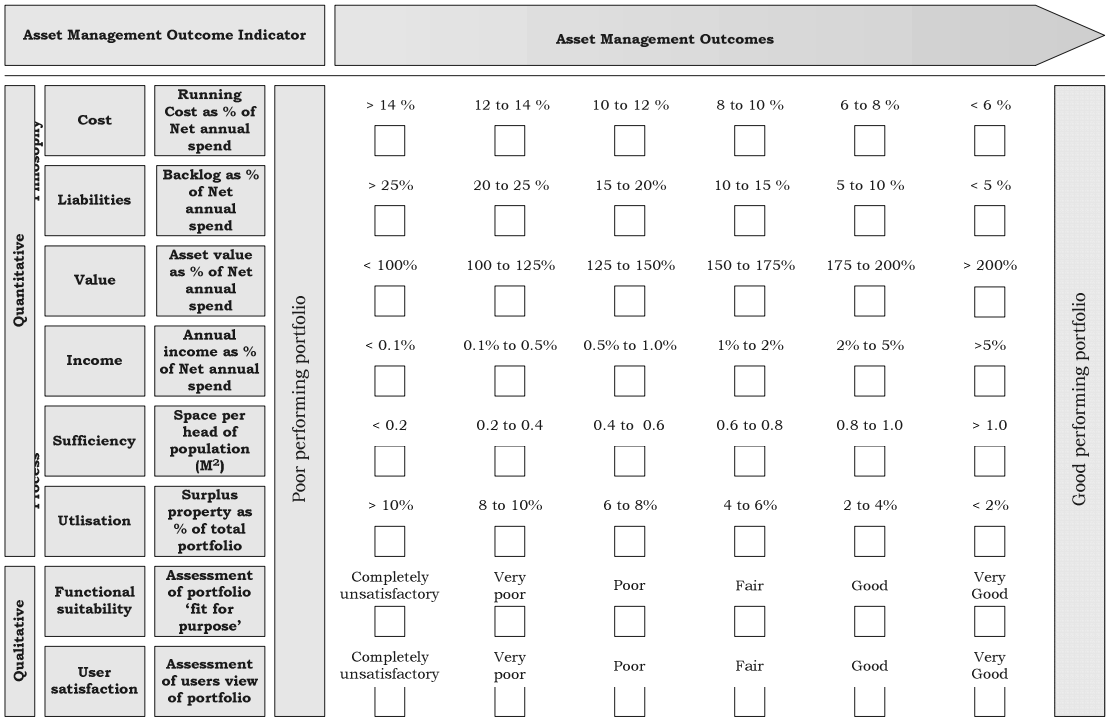
The aim was to develop a set of high level measures which cover most dimensions of performance that are significant in asset management. As differently structured and focussed organisations require different things from their assets (e.g. low cost, good image) there is no single output indicator of good performance across time and space and what is required are measures for a range of dimension which can be used in combination to give an overall view of outcome. The dimensions and link to the purpose of asset management is shown in Figure 14.

Figure 14 - Key Dimensions for an Optimised Portfolio



For each dimension a graduated scale of performance was developed as shown in Figure 15.

Figure 15 – Model to Measure Asset Management outcomes



As noted earlier the identification of a single measure for property asset management is problematic. However, as a fall back strategy for data collection in the field; a single outcome measure was defined to compensate for those cases where it was difficult to determine a composite measure. This single measure for an optimised portfolio was adapted from Peterson's (2006) concept of 'citizen equity'. Peterson (2006) equates the notion of municipal citizen equity with shareholder equity in the private sector. He argues that the balance sheet is a fundamental reporting device for both the corporate and public sector as it measures assets and liabilities. He suggests that the net asset on a public sector balance sheet could be linked to a notion of municipal citizen equity. In this sense a municipality with a building stock fit to deliver

services but with a minimum of debt or liability is creating wealth on behalf of its citizens; whereas a municipality with deteriorating assets is diminishing public wealth.

Peterson (2006) acknowledges the limitations of the analogy, in that local government's primary purpose is not to create wealth but rather to provide services, but argues that the concept can be a useful long term indicator which can be readily derived from published data, like a municipality's statement of accounts. For the purpose of this research Peterson's approach has been modified slightly so that:

> *Citizen equity in municipal property = (asset value of building stock – backlog maintenance) as a % of net annual council spend*

In simple terms this represents the local taxpayers or citizen's latent equity in the municipal building infrastructure which if it could be liquidised into cash could support services over a period of time.

5.5 Use and Limitations of the Models

The models have been developed to test the overall research hypothesis as well as providing a tool to be used in field work interviews at case study organisations to examine issues in detail. They provided a framework which gave a focus for discussions as well as a set of prompts during the interview process. It is important however to recognise their limitations.

As generalised models they do not reflect the specific instances or requirements of individual countries or individual types of municipalities. This may also mean that the richness associated with specific circumstances may have been omitted in creating a model for wider application.

The rationale model did not attempt to define specific factors influencing the adoption of asset management but rather to identify broad categories of influence and then within this through interview to determine more specific factors. This broad categorisation of influences means that the analysis of the drivers for asset management was inevitably undertaken at a high level.

The practice model is un-weighted with each component and element of practice treated with equal importance. This limitation has in part been used as a device through interviews to identify which elements of practice are considered important and thus a way to distil out factors critical to the implementation of asset management.

The results model has a composite set of measures which may not reflect the varying purpose and nature of individual portfolios. Whilst the composite model provides a rounded view of asset management outcomes, this composite nature may not be directly relevant to an individual organisation's objectives and so cannot act as a rigorous measure of outcomes. There was recognition at the outset of field work that there may be problems with availability of data to complete the results model for each case study organisation. This availability of data was itself considered a finding which was indicative of individual organisations approach to asset management

5.6 Key Change Factors for Asset Management

The models were used as a device through interviews with case studies of the extensive survey stage as a mechanism to examine the linkage between rationale, practice and outcomes. They were also used to identify the key

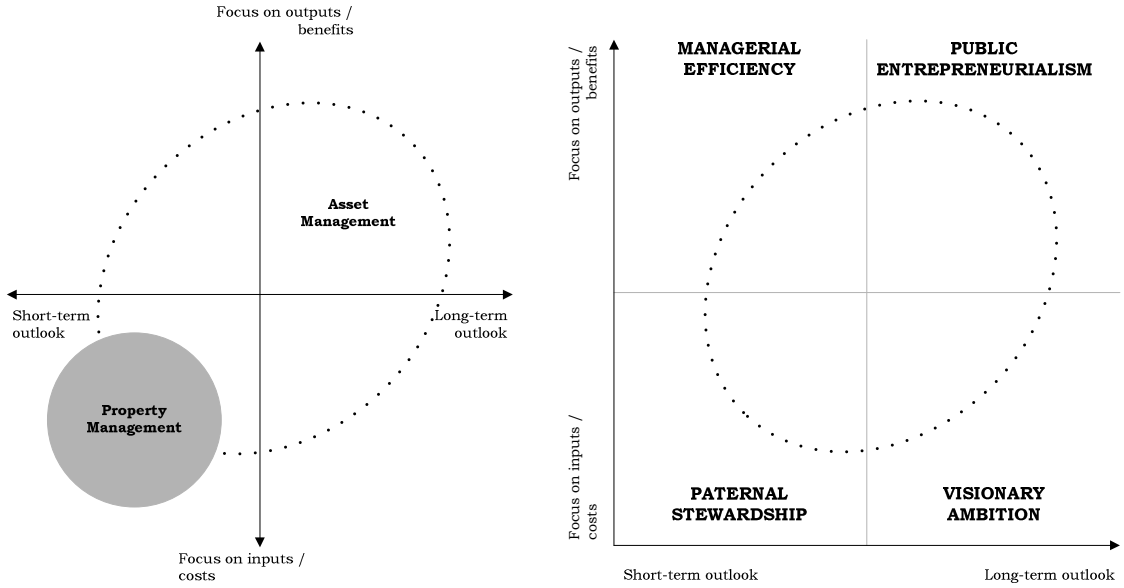
factors influencing the transformation of property management to asset management. The literature review supported the proposition that asset management can be seen as an evolution from, and transformation of, property management. Implicit in this transformation process is the idea that there are factors which stimulate or facilitate such a change.

The term 'change factor' was used as this seemed consistent with this transformational aspect of asset management. This is in contrast to other terms like critical success factors which have been used by commentators such as RICS (2004), Mason (2006) and Davis (2007). The term critical success factors implies factors which are necessary for effective asset management outcomes and as this research has attempted to explore the link between practice and outcomes is difficult to define, in part because of the long gestation period for asset management. The term change factor therefore reflects the transformational process organisations are going through as they embrace asset management.

5.7 A Broad Typology for Asset Management

The distinction between asset management and property management and the visual definition of asset management advanced by Lloyd (2007) provides the starting point, and a simple framework, for developing a broad typology for asset management. The four quadrants of Lloyds (2007) diagram provide a basis for categorising an organisation's approach to asset management and each quadrant can represent a different type of asset management or a stage in the evolution of assert management. The development of this typology relative to Lloyd's (2007) initial model is illustrated in Figure 16 below.

Figure 16 - A Typology for Asset Management



Simple labels have been given as descriptors for each quadrant. The typology was used to place each case study organisation within a quadrant. The 'paternal stewardship' and 'public entrepreneurialism' represent, from Lloyd's (2007) model, the difference between the more traditional property management discipline and the newer discipline of asset management. The 'managerial efficiency' and 'visionary ambition' quadrants on the other hand can be seen to represent different approaches to asset management, or alternative interim stages, in the evolution from property management to asset management. 'Managerial efficiency' can be seen as a descriptor for those organisations which focus more specifically on improving processes as a short term way of increasing effectiveness; whereas 'visionary ambition' describes organisations which focus on bold long term aspirations as a mechanism to make a step change in approach. The characteristics of each type of approach to asset management are amplified through chapter 6.

5.8 Summary

The analytical framework used through this research was in part developed as a response to the lack of such a framework, noted by some commentators, most noticeably Rose (2004), and in part as a mechanism to explore the primary research questions. The models to measure rationale, practice and outcomes were devised to examine the link between why councils do asset management, how they do it and what they achieve. The broad typology was used as a metric to position an organisation's approach to, or maturity in, asset management as well as a way of understanding the nature of asset management.

The analytical framework has its limitations, most noticeably in terms of the models to measure rationale and outcomes, which were relatively weak in comparison to that to measure practice. Even in its formative nature the analytical framework provided an effective tool with which to explore asset management and as identified in Chapter 9 it provides the foundation for further focus of research.

SECTION 4

CASE STUDIES

CHAPTER 6

Extensive Study

6.1 Purpose and Scope of the Extensive Study

The analytical framework presented in chapter 5 was developed in response to the perceived deficiency of a lack of a clear conceptual approach to describe asset management identified by Rose (2004) and as a tool with which to explore the primary and secondary research hypotheses. It was thus important to evaluate the response to the analytical framework as a whole, whether this was regarded positively by the practitioners with whom it was used, and also to assess whether the analytical framework was successful in illuminating facets of interest in asset management.

The overall purpose of the extensive survey was to provide breadth in applying the analytical framework by using the models which comprise the framework at a range of case study organisations selected to provide a mix in terms of size, type and perceived status in asset management. Specifically, the extensive survey stage attempted to explore whether the models worked as analytical tools, what they revealed about the rationale, practice and outcomes in asset management and to identity what were the critical change factors in the transition from property management to asset management to be explored at the subsequent intensive survey stage.

The extensive surveys were based on a single half day visit to each case study organisation. Typically interviews with the person responsible for asset management lasted between two and three hours, including application of each model in turn, with supplementary questions to amplify responses to the

model and to provide some specific local context. The rationale for adopting asset management was explored through asking the interviewee to score the relative strength of six factors on their adoption of asset management and then to examine their response more fully through questioning. The adoption of best practice was identified through direct questioning against each element of practice to ascertain whether the case study organisation prescribed to the practice, fully, partially or not at all.

The data required for outcome measures was identified in advance of the interviews by e-mail, collated at interview, with a short time allowance made for the provision of outstanding data after the interview. No attempt was made to search for missing data, or chase it up. Rather an approach adopted at the extensive survey stage was to simply ask for the data required on the assumption that the ability to provide it was in itself one indication of the effectiveness of asset management. Relevant published documents, such as property strategies, asset management plans, statement of accounts and other reports on property matters were reviewed where these were readily available to provide additional context about each case study organisation.

The nature of the interview process was reflective, drawing conclusions from comments made in response to questions, rather than evidential; seeking out documentary confirmation of expressed views. Summary characteristics of each of the case study organisations are presented in Table 10 and Table 11 on the following pages. A list of those interviewed at the case study organisations is included at Appendix 3 and the raw case study data and results from applying the model are summarised in tabular and diagrammatic form through this chapter and in Appendix 8.

Table 10 - Summary Characteristics of UK Case Study Organisations

Ashford	**Barking & Dagenham**	**Birmingham**
Strong officer & political support for asset management	Property a physical manifestation of council in community	Asset management seen as a catalyst to regenerate city
Size of council makes a whole portfolio approach easy	Lack of high level commitment to asset management	Size mitigates against corporate approach
Strong internal capacity / skills for asset management	Asset management due to skills & capacity of staff	Chief Executive providing drive for asset management
Corporate ethos well embedded within the organisation	Cultural ethos not supportive of change or innovation	Relevance of asset management not well understood
Cambridgeshire	**Croydon**	**Devon**
Council has an entrepreneurial culture	Asset–led regeneration focus to meet community needs	Weak corporate centre relative to services
Cross-service approach – services recognise value	Working philosophy is about 'making a difference'	Traditional change resistant cultural ethos
Strong professional & technical skills acts as a stimulus	Members are very aware / involved in asset management	No strong political or officer asset management champion
Size gives capacity & not restrict corporate approach	Aggressive action on costs to support budget pressures	No clear strategic vision for management & use of assets
Essex	**Kingston-Upon-Hull**	**North East Lincolnshire**
Size of council works against effective corporate approach	View of property as a support service is changing	CPA & financial imperatives acting as stimulus
Financial pressures a stimulus to asset management	Traditional, paternalistic view of asset management	Asset management integral to business transformation
Strong internal capacity to support asset management	Portfolio has significant latent value that can be released	Capacity (skills & experience) acting as a constraint
Asset management not represented at the 'top table'	Council on cusp of change - needs to be leaner & smarter	Leadership / support weak but client expectations high
Portsmouth	**Sheffield**	**Waveney**
Focus placed on asset management to improve CPA rating	Strong service ethos at expense of corporate approach	Lack of property information on which to make decisions
Belated recognition at a senior officer and member level	Property a 'blind spot' in otherwise excellent leadership	Developing from a low base of capacity and practice
Corporate approach not embedded in the organisation	Understand theory but practice hard with lack of capacity	Linked to future of council as an enabling authority
Value & benefits of asset management not recognised	Culture ready to embrace change but tends to follow	Desire to 'sweat asset base' to ease revenue pressures

Table 11 - Summary Characteristics of Russian Case Study Organisations

Kazan	**Penza**	**Perm**
Strong shared view of purpose of asset management	Focus on privatisation of property is changing	A progressive outlook – a leader and willing to learn
High level political support because of World Bank loan	Operational rather than strategic focus	Strong focus on income generation from assets
Limited challenge to service need for and use of assets	Asset management constrained by capacity & skills	Strong community and tenant engagement on property
Proud of achievements in asset management	Financial pressures acting as a strong driver on property	Awareness of importance of assets at a senior level
Sergey Posad	**Tver**	**Zhukovsky**
Asset management relatively low profile	Resistant to change and slow to embrace new ideas	Driven by adherence to legal and procedural requirements
Culture resistant to change	Driven by compliance to legal & procedural requirements	Strong scientific / cultural basis reflected in asset holdings
Short term planning horizon	Head of Administration is not active in asset management	Young Mayor acting as catalyst for change within the city
Inability / unwillingness to provide data	There is a lack of suitable qualified and experienced staff	Innovation restricted by age profile of workforce

6.2 The Analytical Framework as a Research Tool

In general it was easier to measure how the case study organisations did asset management (practice), than why they did it (rationale), or what they achieved (results). This was in part because of the greater level of detail in the form of best practice source material on which the model used to measure practice was based, but also in part because basic quantitative data required for the outcomes measures to describe the portfolio were lacking, and because identification of asset management drivers through a structured interview process was more subjective. Overall therefore, a greater degree of confidence was ascribed to the measurement of practice than either rationale or results. The measurement of outcomes was the most problematic and there is therefore less confidence around this measurement process.

The model to measure how organisations did asset management provided a useful tool to structure thinking and discuss issues around critical elements of best practice, and a simple metric to position case study organisations against a framework of practice or in comparison with other organisations. It also provided a useful presentation device to highlight strengths and weaknesses and its summary table was well received as tool which could be used with senior officers and members as an audit of an organisation's current practice. Similarly, whilst those interviewed in the case studies found it difficult to provide data readily for the outcomes model, all felt that the range of measures being presented were a valid and pragmatic approach to measuring outcomes. In summary the analytical framework provided a simple conceptual tool which all practitioners from the case study organisations were readily able to understand and respond to. They also provided a mechanism around which to structure interview questions.

6.3 Asset Management Rationale, Practice and Outcomes

The literature review in chapters two and three revealed that, whilst still evolving and in embryonic form, the UK is at a more advanced stage in implementing asset management in comparison with other countries world-wide. This greater maturity was in part explained by the top-down centrally imposed approach evident within the UK, with local government being required to adhere to central government policy. The perceived orthodoxy, also suggested through the literature review, was that Russia, as a country in transition, was likely to lag behind the UK in the implementation of asset management because of a lack of a centrally-imposed requirement for local government to undertake it. The implication from the literature review is that the main influence for implementation in Russia, as a country in transition, is likely to have been from external donor agencies, such as the World Bank, advocating its adoption as part of their on-going work in the country.

6.3.1 The rationale for Asset Management

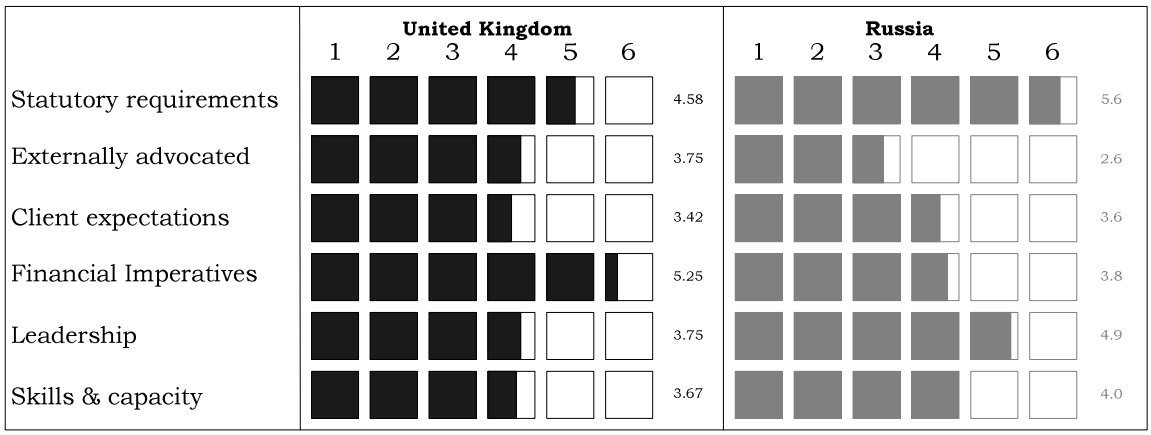
In all cases there was no single driver acting in isolation as a stimulus to asset management; but rather several acting in conjunction, with one tending to exert a more dominant influence. A single most significant driver was identified through interview and used to categorise case study organisations, but it is recognised that this presents a simplistic categorisation of why organisations undertake asset management. A key line of enquiry through both the extensive and intensive survey stage was to examine these drivers in more detail and in particular to look at the links between these, practice and outcomes. A characteristic identified through the field work was that the drivers influencing the adoption of asset management change over time. The

field work identified the prominent drivers at the time of the interviews but also explored how these had changed. Table 12 below summarises the principal rationale for asset management at each of the case study organisations and Figure 17 the relative overall strength of the various influences instrumental in adopting asset management at all case studies.

Table 12 – Main Rationale for Asset Management in Extensive Case Studies

Statutory Requirements	Externally Advocated	Client Expectations
Portsmouth Sheffield Waveney Kazan Perm Sergei Posad Tver Zhukovsky		
Financial Imperatives	**Leadership**	**Capacity & Skills**
Ashford Croydon Devon Essex Kingston-upon-Hull North East Lincs Penza	Birmingham Cambridgeshire	Barking & Dagenham

Figure 17 –Overall Influences on the Introduction of Asset Management



Financial imperatives, with the need to support revenue budgets, or generate capital receipts to bridge capital funding gaps, along with a more stringent CPA inspection regime which more rigorously challenges the 'Use of Resources'

were the emerging drivers for asset management in the UK. These, if not identified as the most significant driver, were identified by all UK case study organisations as being important. As expressed by many, such as Sheffield, *it is important to be seen to be doing what is required*. In contrast all Russian case studies identified statutory requirements as being of overall most influence in their adoption of asset management, with the exception of Penza, which identified financial imperatives as being the most important driver, albeit it that they saw statutory requirements as of almost equal significance.

Client expectations were not considered an important driver for asset management in either the UK or Russia. In all cases the influence of clients, either internal service managers or external users of council services, was identified as weak or marginal. In no single case were client expectations identified as a primary driver for asset management, although there was also acknowledgement by most case study organisations that ultimately council's buildings were there to support service delivery. The impression given through the interviews were that *clients have low expectations* of their buildings or that they were *happy to make to do with what they have*.

The adoption of asset management as a result of external advocation was also regarded as a weak influence in both the UK and Russia. In the UK interviewees acknowledged that conforming to prescribed best practice was important; whereas in Russia there was a coincidence of views from all case study organisations that they did not see the need to do what *was simply encouraged rather than required.* Further questioning revealed that peer pressure from other organisations was a weak influence and that asset management as a discipline was not widely promoted in Russia either as

national policy or from local government associations.

Some case study organisations promoted the wider contribution of assets to achieving corporate objectives as an emerging primary driver. It was not entirely clear whether this was due to an increasing awareness of the significance and value of assets as a catalyst for change by the organisation at large (Croydon), or simply a convenient way of encapsulating what organisations wanted asset management to be about, but where the rhetoric was divorced from practice (Birmingham). Barking and Dagenham was one case study organisation that identified their own internal skills and capacity as the principal driver for asset management. It was stressed that progress was made *in despite of rather than because of* the organisation, illustrating the difficulty of implementing asset management with a lack of other drivers to support its development.

Some case study organisations seemed to be on the cusp of change in asset management. In Portsmouth and Birmingham new chief executives were providing a stimulus to asset management. In the case of Portsmouth it was through a desire to improve the council's CPA status, and in the case of Birmingham it was associated with a drive to re-assert Birmingham's prominence domestically and internationally with property seen as an *agent of change* for the city itself and the council's services. In both, financial pressures were also prominent, and so the strategic value of property was being increasingly recognised, asset management as an activity had more focus and was featuring at a higher decision making level. Zhukovsy, in Russia, was similarly poised for potential change; in this case a new, young city mayor was providing the *energy and ideas to reform the administration.*

In both UK cases this new influence on asset management was replacing the more pedestrian drive given by the internal capacity of the council's property staff to implement asset management policy and practice. This appears not to have occurred in cases where asset management happens without the support given by leadership, which was the case with Barking and Dagenham. In Waveney the stimulus to asset management was given by a poor CPA assessment to which the council responded by creating a new asset management team. This was happening alongside the council re-defining its role as an enabling council and attempting to reform its traditional change resistant culture.

There was a broad conformity of views through the Russian extensive survey case study organisations. These were that the over-riding influence for adopting asset management was the need for compliance with statutory obligations, even though leadership was also very important. The influence of external advocacy to embrace best practice was deemed relatively insignificant and that financial considerations, whilst important, were not critical. This last conclusion seemed somewhat at odds with more general comments made through interview by all Russian case study organisations that municipalities in Russia were poorly funded in relation to their mandated functions.

An overall summary is that the adoption of asset management in the UK has been driven by externally imposed central government policy, reinforced by the CPA inspection regime by which councils are assessed and the financial pressures faced by councils. This confirms the observations of Kaganova (2002) and Worley Ltd (2002) that in UK asset management has been principally 'top down' imposed through national policy. The case study

organisations have responded to this stimulus in different ways. Where it has been initially ignored (Waveney), or left to internal 'bottom-up' drive from motivated, skilled staff but without support and commitment at a senior level (Barking & Dagenham and Sheffield), its implementation has been slower or faltering. Where implementation has been driven 'top-down' by key decision makers; such as the Chief Executive and Leader (Ashford and Cambridge), then progress has been more significant. This is illustrated by the extent to which they have embraced best practice, but also by their own perceived performance in asset management.

An overall summary of the adoption of asset management in Russia is one which concurs with views expressed by Bertovic et al (2000) and Brzeski & Kaczmarski (2002), that asset management where it exists, is driven by procedural and legislative compliance, with transfer of assets between tiers of government or privatisation connected with the country's market reform processes. This, they argued, is a distorting effect on property management and a result of the current stage of economic reforms in Russia. Whilst the literature review implied that asset management in countries in transition, like Russia, was influenced by external advocation, the evidence through the case studies was that this was not necessarily the case, with none of the case studies identifying advocacy as a reason for adopting asset management.

6.3.2 The Adoption of 'Best Practice'

A summary of the extent to which each individual case study organisation adopted asset management practice and their relative strengths and weaknesses in the main components of best practice is given in the Figure 18. This diagram shows the adoption of recommended asset management practice

at each of the case study organisations using a simple count of adopted practice elements out of a possible 48 elements in total. These counts are plotted to show the adoption of best practice in three distinct ways. As a total count of practice elements adopted (right hand side of diagram); a count of practice adopted for each of the 8 components of the model (bottom, left hand side of diagram) and a count against philosophy and process as the two major sections of the model used to measure practice (top, left hand side of diagram).

Whilst there was a divergence in the extent to which case study organisations had adopted asset management best practice, no councils were considered as operating at the extremes, either as 'a non-starter', or 'comprehensively embracing all'. Rather, all were operating in a middle band of practice, suggesting all were operating at least above an initial embryonic threshold of practice and whilst some were further advanced in the adoption of practice all, had progress to make to embrace the recommended practice comprehensively.

This, is in the context of the UK, may be because there is a strong central government direction to embrace asset management and thus a strong awareness amongst the practitioner community of the published guidance. A simple illustration of this is that all of the case study organisations were members of the IPF AMP network, a national 'club', whose role it is to disseminate best practice and to keep members informed about asset management policy. A further reason may be that the initial levels of practice were relatively easy to adopt, whereas the more advanced levels of practice require greater capacity, skills or commitment. From the extensive survey interviews it was felt that those councils which were further advanced, such as

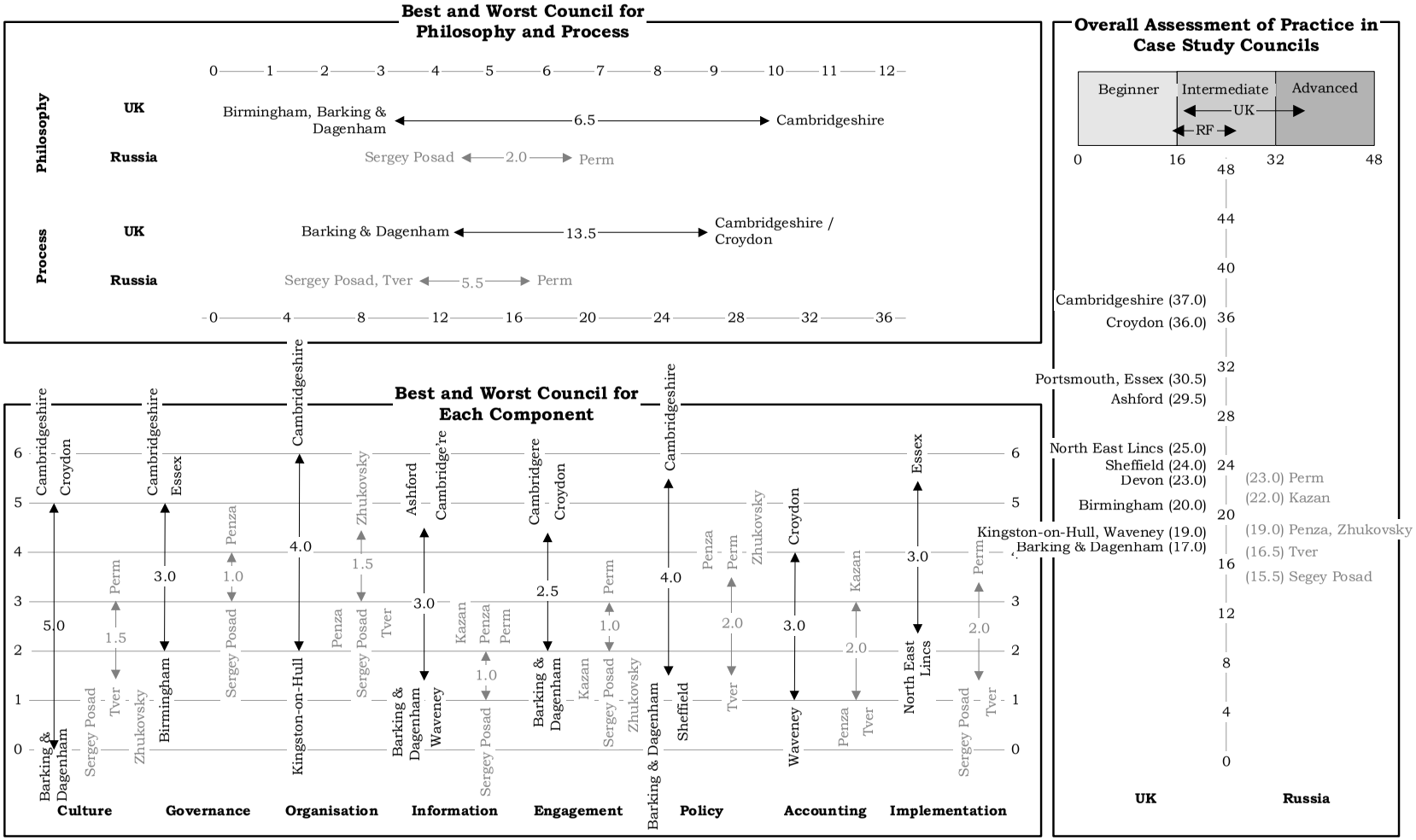
Cambridgeshire or Croydon did demonstrate a strong corporate drive and commitment to asset management.

In the UK all interviewed practitioners were aware of the requirements of 'best practice' and striving to introduce or follow this but acting within the constraints of their own organisations commitment, resources and characteristics. Some made the comment of *understanding the theory but the practice being harder to achieve*

There was a distinctive, different feel about those case study organisations that were more progressive in adopting asset management practice than those that were lagging. This 'feel' coalesced around the culture of the organisation which was considered more corporate, innovative, and entrepreneurial and which recognised property as a strategic asset of the council. There was a correlation between those furthest advanced, such as Cambridgeshire or Croydon, with the prevailing culture of the organisation. In both these cases, the councils were described as being innovative, entrepreneurial and willing to learn from others. This was in contrast to Barking & Dagenham and Kingston-upon-Hull which were described as traditional, and where property was seen *as a physical manifestation of the council in the community* and there was reluctance to embrace any change in its property holdings.

There was a general distinction between those furthest advanced and those lagging in the process areas over and above the prevailing organisational culture referred to above. There was a distinction between those organisations which had real portfolio intelligence on which to base decisions from those which were merely in the process of gathering data and not able to use it.

Figure 18 – Analysis of Practice for Extensive Case Study Organisations



Similarly, there was a distinction between councils where there was some clarity of vision over the management of assets set against likely service needs, from those which were merely acting in a reactive, short-term way to identified service needs without the benefit of a wider property strategy. Finally, there was a distinction between those councils which had an organisational focus and capacity for asset management, which all did have, from those where this was allied to strong, senior level leadership and cross-service engagement in asset management.

As in the UK the adoption of best practice in asset management was relatively easy to measure in Russia using the practice model of the analytical framework. The pattern in Russia was similar to that in the UK in that the case study organisations were operating in a relatively narrow band of practice with no single organisation operating at an extreme. In general, practice in Russia seemed to lag behind that in the UK, providing some confirmation to the implicit assumption revealed through the literature review that asset management in countries in transition lagged that in developed countries. The case studies in Russia could be summarised as operating at the 'start up' stages of asset management in contrast to the UK where they were operating more at an intermediate level.

6.3.3 The Outcomes from Asset Management

In all case study organisations it was relatively easy to identify the rationale for undertaking asset management and to asses the extent to which best practice had been adopted, but more difficult to evaluate the associated outcomes through use of the defined portfolio measures, even with the basic set of indicators used to identify an optimised portfolio. All case study

organisations had difficulty in providing even the basic data required to measure their portfolios using these indicators.

Whilst the research design had attempted to minimise the risk of missing data through use of a narrow range of data which was anticipated to be readily available through published documents, there was nevertheless some data which was not forthcoming. There was also some data which was perceived to be suspect in comparison with other data provided for the same variable because they seemed at a significant variance. The missing data in the case of the UK case study organisations tended to be the qualitative data, such as suitability of buildings or client satisfaction with buildings, and the reason for the data not being available was because despite its collection being recommended as best practice these organisations had not collected it. In the case of the Russian case study organisations there was missing data across all the variables.

The reasons for this seemed to be a combination of unwillingness to provide it, not being readily available, or the difficulty of obtaining it easily through research. Missing data was not chased up strongly; rather the inability to provide it was considered a research finding in its own right. Typical of this was Sheffield who were unable to provide floor-space or running cost data. They had *previously been asked for similar data by the Chief executive seven years ago and they were still not able to provide it.* The suspect data was not challenged but accepted as valid data supplied by case study organisations.

This inability of the case study organisations to provide the outcome data reinforced the orthodoxy revealed through the literature review that measuring

asset management outcomes was problematic. The literature review implied that the adoption of best practice was used as a proxy indicator for effective asset management because of this difficulty of defining and presenting outcome information. However, the missing data inevitably means that there is a certain degree of ambiguity in the analysis presented through the following paragraphs of this section.

Outcome measures based on published data, such as that from the statement of accounts, were more readily available than those which required primary data collection, such as client satisfaction with their buildings. Even in organisations where data was more readily available there was a sense of them being *information rich but knowledge poor* as one interviewee from a case study organisation remarked.

It was impossible to collect the full range of data required for the composite measure for an optimised portfolio for all case studies and so reliance was placed on the back-up strategy identified through the design phase of a single measure for an optimised portfolio. Whilst this gave a less rounded view of outcomes it nevertheless provided a simple measure which could be tracked over time, and used to make comparisons over different council size and types, and for different institutional settings.

It was difficult to measure outcomes from asset management at the Russian case study organisations. Base data for both composite and single outcome measures was not forthcoming. This specific issue was explored through the interview and there was, in contrast to the UK, a marked reluctance to reveal data. This appeared to be due to sensitivity over its potential use, despite

reassurances that it was restricted to research purposes, but also concerns over its accuracy and whether this would reflect poorly on the council. There was a definite desire to present the council only in a positive light. This was in marked contrast to the UK where interviewees seemed relaxed about revealing their own council's weaknesses and to provide data where this was available.

There was a wide variation in individual outcome measures and across the measures combined between the case study organisations. This in part may be explained by differing data sources and definitions used by the case study organisations for each of the individual outcome measures. There was a lack of confidence over supplied data because of this variation. However, it should be stressed that the supplied data was not verified in any way and no attempt was made to complete missing data. The inability for case studies to supply data readily was itself interpreted as an important research finding indicative of the problematic nature of measuring asset management outcomes.

6.4 The linkage between Rationale, Practice and Outcomes

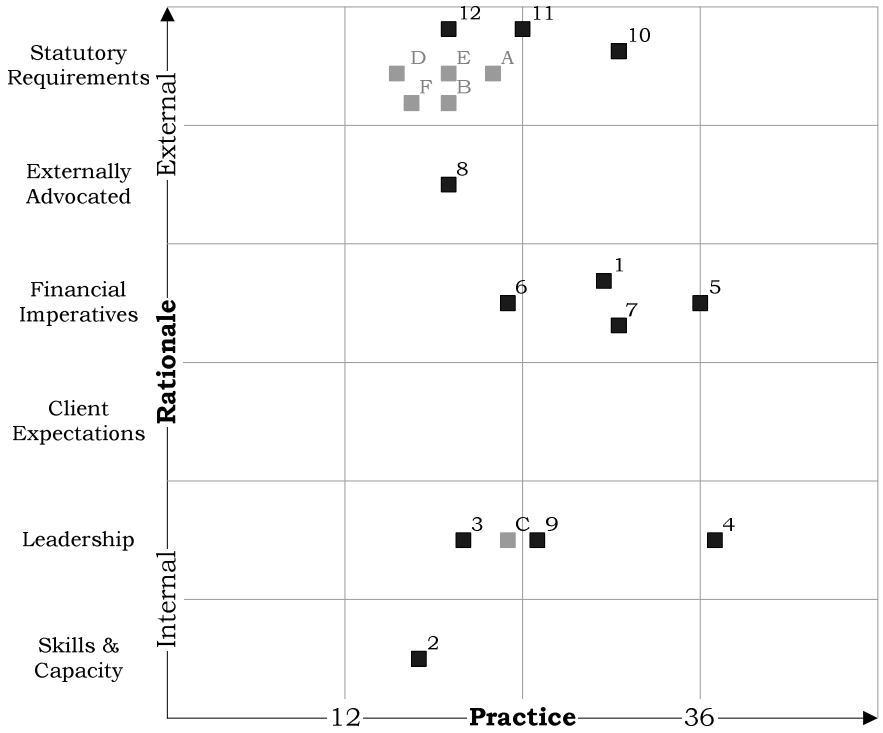
As explained through the context section and the literature review the lack of empirical evidence examining the relationship between why councils do asset management, how they do it and what they achieve was a primary motivation for this research. This relationship between rationale, practice and outcomes, it was argued through the literature review, could assist in providing greater understating of asset management and reveal a broad typology within which to place an organisation's maturity in the development of asset management.

6.4.1 The Relationship between Rationale and Practice

Whilst not conclusive because of the limited number of cases, there was a

discernable link through the extensive survey case study organisations between the rationale for doing asset management, and the extent to which asset management practice had been embraced. This is illustrated in Figure 19. In this diagram the major single influence on the adoption of asset management for each case study organisation is plotted against the vertical axis whilst a count of the elements of recommended asset management practice adopted, out of a maximum of 48 practice elements, is plotted against the horizontal axis. Externally driven factors tended to greater adoption of practice, but a link between financial imperatives and the adoption of asset management practice was also evident.

Figure *19 - The Relationship between Rationale and Practice*



1	Ashford	7	Essex	A	Kazan
2	Barking & Dagenham	8	Kingston-upon-Hull	B	Penza
3	Birmingham	9	N. E. Lincolnshire	C	Perm
4	Cambridgeshire	10	Portsmouth	D	Sergey Posad
5	Croydon	11	Sheffield	E	Tver
6	Devon	12	Waveney	F	Zhukovsky

Whilst not explicitly revealed through the scoring of the relative importance of drivers, interviewees highlighted the importance of leadership as an influence on the extent to which practice was embraced. Some case study organisations where asset management was 'top down' driven, such as Ashford, were further advanced in embracing best practice than those where asset management was 'bottom up' driven, such as Barking & Dagenham; or where there seemed little stimulus to asset management at all, such as for Waveney, where internal skills and capacity were the main driver. Where the most significant influence was externally advocated asset management then adoption of practice was relatively weak

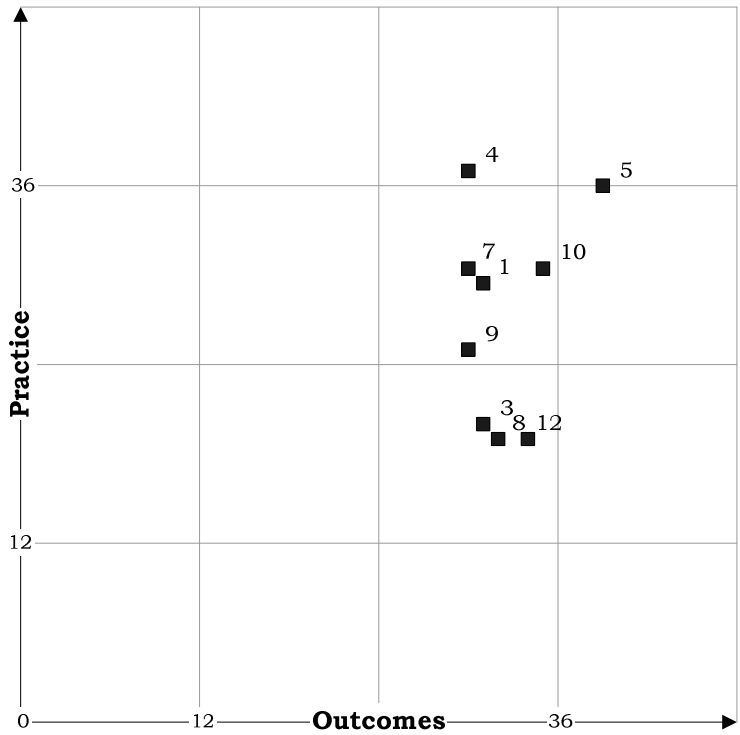
6.4.2 The Relationship between Practice and Outcomes

A clear linkage between practice and outcomes was not established. This was in part due to the absence of data for the defined outcome measures. The difficulty of measuring asset management outcomes and the problematic nature of gathering the required base data was identified in the literature review and in the discussion on outcome measures in Chapter 5. The extensive survey stage confirmed this difficulty. Where there was data, the link between practice and outcomes was not evident and there were some contra indications, such as Kingston-upon-Hull, which whilst demonstrating slow take-up of practice had generally good outcome measures. From the extensive survey no coherent pattern or relationship between practice and outcomes was evident. This issue of defining and measuring asset management outcomes is important and worthy of further research as discussed in Chapter 9.

Figures 20 and 21 show the relationship between practice and outcomes for those case study organisations where adequate data was provided. Figure 20

plots practice and outcomes using the composite measure for an optimised portfolio, whereas Figure 21 plots practice against a single measure for an optimised portfolio.

Figure 20 – The Relationship between Practice & Outcomes (1)



(The extent to which a municipality has achieved an 'optimised' portfolio)

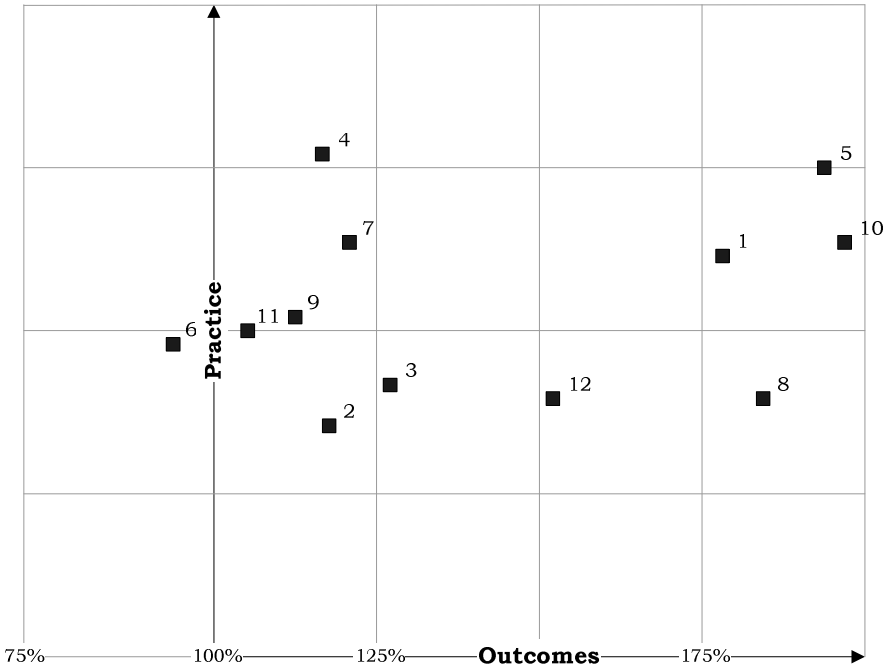
1	Ashford	7	Essex	A	Kazan*
2	Barking & Dagenham*	8	Kingston-upon-Hull	B	Penza*
3	Birmingham	9	N. E. Lincolnshire	C	Perm*
4	Cambridgeshire	10	Portsmouth	D	Sergey Posad*
5	Croydon	11	Sheffield*	E	Tver*
6	Devon*	12	Waveney	F	Zhukovsky*

* Unable to position due to lack of data

In both diagrams the number of elements of recommended best practice adopted by the case study organisations, out of a maximum of 48 elements of practice, is plotted against the vertical axis with the outcomes plotted against the horizontal axis. In the case of Figure 20, the composite outcome measures, the 8 performance indicators were converted using a graded scale to produce a score out of a maximum of 48. In the case of Figure 21, the single outcome

measure, the performance measure for each case study organisation equal to the citizen equity ratio described in Section 5.4 was plotted against the horizontal axis.

Figure 21 – The Relationship between Practice & Outcomes (2)



(The extent to which a municipality has achieved an 'optimised' portfolio)

1	Ashford	7	Essex	A	Kazan*
2	Barking & Dagenham	8	Kingston-upon-Hull	B	Penza*
3	Birmingham	9	N. E. Lincolnshire	C	Perm*
4	Cambridgeshire	10	Portsmouth	D	Tver*
5	Croydon	11	Sheffield	E	Sergey Posad*
6	Devon	12	Waveney	F	Zhukovsky*

* Unable to position due to lack of data

6.5 Commonality and Differences between the UK and Russia

The extensive survey revealed a number of areas of commonality and also some differences between the UK and Russia with respect to their adoption and understanding of asset management.

A common pattern of influences emerged across both the UK and Russian case studies. These were that generally, a combination of factors rather than a single factor was instrumental in shaping the adoption of asset management.

It was also a common feature that these influences were subject to change and that interviewees looking back over time could detect changes in the relative strengths of such influences. Whilst case studies in both UK and Russia acknowledged the ultimate beneficiaries of asset management as being their own citizens, in both countries client expectations, either directly or indirectly were considered a weak influence on the adoption of asset management.

Both the UK and Russian case study organisations seemed to work in a narrow range of practice, although in the case of Russia this lagged behind the UK. The conclusion from the extensive survey is that whilst some municipalities were more advanced in asset management than others, such advances were not sufficiently significant as to suggest there were real exemplar councils for others to follow. The suggestion from the extensive survey is that the 'practice gap' between the best and worst is relatively narrow in both the UK and Russia. In the UK it can be inferred that councils are operating at an 'intermediate stage' of development having passed an entry level threshold but have not yet passed an advance threshold level of practice. Russian case study organisations could perhaps be characterised as still being at an 'entry level stage' or maturing into an intermediate level of practice.

The measurement of outcomes from asset management was problematic in both countries. All organisations struggled to provide the basic data required to derive simple outcome measures related to the portfolio. This was despite a uniform awareness of the importance of comprehensive portfolio information in order to support effective asset management. This apparent contradiction of understanding the importance of information but not having the ability to generate it implied a focus on asset management originating with practice

rather than outcomes. None of the organisations within the scope of the extensive survey had a set of defined outcome measures with which to drive the implementation of asset management. This difficulty of measuring outcomes also reinforced the explanation of the orthodoxy of using the adoption of practice as a proxy indicator for successful outcomes revealed through the literature review.

The linkage between rationale and practice, and practice and outcomes in as much as they could be determined followed a similar pattern in both UK and Russia. That is, there was a recognisable, discernable link between rationale and practice but an unproven link between practice and outcomes. Where asset management was driven by leadership, financial pressures and external compulsion then there was greater adoption of best practice, where it was driven by other factors, such as internal skills and capacity or client expectations, there was relatively weak adoption of best practice. The linkage between the adoption of practice and outcomes achieved was inconclusive, in part because of the difficulty in obtaining valid data to measure outcomes.

The underlying implication revealed through the extensive survey stage was that in both the UK and Russia asset management is generally more 'practice focussed' than 'outcome focussed' and that the extent of adoption of practice is influenced by the underlying rationale and motivation for its adoption.

The term asset management was identified in chapter 3 as being problematic in terms of distinguishing its meaning from other similar terms, such as property management and estates management. This definitional problem was a common factor in both the UK and Russia although in different ways. In the

UK there was familiarity with the term and an instinctive and intuitive understanding of it because of its common use. In Russia the term asset management was not recognised widely and, where it was recognised, its subtle distinction from property management was not necessarily understood. Even the term property management revealed differences between the UK and Russia. In the UK it embraced a broad range of activities to do with properties, such as acquisitions, disposal, design and maintenance; whereas in Russia it tended to be associated with the buying, selling and leasing of property; which is more akin to the term estates management within the UK. However, in Russia there was a wider interpretation of the term assets. In a local government context this would typically include utilities plant and equipment as part of their asset base because of their responsibilities for the provision of utilities such as gas.

Perhaps as a consequence of this definitional problem and misunderstanding of the scope of asset management some of the practice concepts underlying asset management were less well developed in Russia in comparison with the UK. For example, the measurement of suitability or 'fitness for purpose' of local government operational buildings was not readily understood. Similarly there was little emphasis on challenging the need for retaining assets or their performance, with a presumption in Russia that retention of assets is desirable, almost regardless of need, cost or performance. The concept of a systematic property review of holdings, which is accepted now as a practice norm in the UK was also lacking in Russian case study organisations.

Rather than embracing wider asset management concepts and practice, the Russian case study organisations put greater emphasis on privatisation,

procedural compliance and local government reform. In particular the transfer of assets between federal, regional and municipal levels, or the privatisation of assets was an area of specific priority. This can be explained as part of a natural focus given the broader reform process happening as part of Russia's move to a market economy, but in the longer term it would be interesting to examine whether Russia's development of municipal asset management widened along the lines evident in the UK or take a divergent path.

The concentration on privatisation and income generation from property meant that property itself was more integral to budget matters in Russia and as a consequence closer to the 'top-table' in decision-making. This was in contrast to the UK, where the majority of case study organisations identified a lack of profile for property and its position in the organisational hierarchy, as a constraint to development of asset management. The emphasis on income generation within Russian case studies whilst seemingly consistent with the philosophy of property as a productive asset was based around the need to retain ownership of assets as rental income was a significant contributing element to municipal budgets, rather than any wider exploitation of latent value of the asset base, as either a mechanism to improve municipal financial health, or to promote economic development and well-being.

The organisational and cultural environment within the UK seemed more pre-disposed to supporting asset management than in Russia. There was an apparent willingness, or even a need, expressed by UK case study organisations to embrace change and innovation, to share practice, to learn from others and to take risks. This was apparent in those organisations, such as Cambridgeshire and Croydon, which had more fully embraced asset

management and in contrast to Russia where compliance with procedural standards seemed to act to stifle innovation and there was an expressed view that *it was not appropriate do things any other way.*

Within the UK property management is supported by a recognised professional qualification which is not the case in Russia. Similarly in the UK the emerging activity of asset management is also being increasingly recognised as a distinctive discipline through degree courses, on the job training and defined job roles and competencies. In Russia there is no professional qualification in property management. Whilst there is a municipal management qualification the predominant training is *through learning on the job*. These issues of professional training and the availability of appropriate expertise were recognised as a constraint to effective asset management by many cases studies in both the UK and Russia; although in Russia the scarcity of expertise and qualifications was more commonly identified.

There is a propensity in the UK to minimise holdings whereas in Russia there is a propensity to maximise holdings despite the legal and policy direction being similar in both. This contrary approach is perhaps linked to history and budget issues. There is a trend in the UK for councils to minimise their property holdings through property disposals, whereas in Russia there is tendency to maximise holdings through an unwillingness to sell. This is despite an overall environment set by law and policy direction being broadly similar. In both the UK and Russia the prevailing direction is to retain only those properties which are required for municipal purposes.

In the UK there is perhaps a discernable trend to release properties which are

seen as a liability, or to dispose to provide capital to mitigate budget pressures. There are in the UK processes in place to challenge retention of assets. In contrast, in Russia whilst the national policy direction is similar, there is limited challenge to asset holdings and legislative requirements *are interpreted in a flexible way* to allow retention of assets where possible. This contrasting approach is perhaps linked to historical circumstances and differences in local government funding. There has been a limited tradition of private property ownership in Russia and there is an inextricable and critical link between municipal property and municipal finances.

In the UK there was a greater tendency to view the portfolio's management over the longer term. Although UK interviewees acknowledged that this strategic perspective was poorly developed it was perhaps further advanced in the UK than in Russia, where municipal property is traditionally planned and considered over a one year time horizon in line with the budget cycle. This may change over time as in 2008 a Russian Federation wide programme initiated a move towards a three yearly budgetary and planning cycle. Whilst this strategic focus was poorly developed in both countries, it was also recognised as being of critical importance, with several case studies acknowledging that a lack of a strategic vision for the management of their asset base acted as a constraint to the implementation of property asset management.

The concept of corporate ownership of property by the municipality in Russia is embedded as a given and without question; perhaps as a legacy from an era without private property ownership and historical circumstances associated with municipal formation. This contrasts with the UK, where there is a tension between the asset management function trying to assert corporate ownership

with service users perceiving that they are 'owners' of the assets they use. This may make action in the portfolio in the corporate rather than service interest easier to initiate in Russia than in the UK. Much of the literature asserts corporate ownership as a key requirement for effective asset management and whilst the UK case studies were struggling to assert 'corporate ownership' the status to which they aspired was in place in Russia.

A key theme to emerge was the view expressed across all case studies of both countries that a few factors were critical to development of asset management and that these could be readily identified. Whilst expressed in different terms, the case study organisations revealed a high degree of conformity around what these were, as discussed below. Whilst interviewees felt that they could define these factors relatively easily; they also expressed the view that achieving them in practice was not so easy. This idea of a few critical factors was consistent with the idea of 'change factors' in the transformation from property management to asset management expressed in the literature review.

6.6 The Nature of Asset Management - Emerging Themes

Whilst the analysis through the extensive survey was based on a single interview and half-day visit at each case study organisation it provided a rich range of material from which to identify some of the key issues underlying the implementation asset management and which to explore through the intensive survey process.

6.6.1 Key Change Factors for Asset Management

All practitioners recognised that there were a range of influences that contributed to the implementation of asset management, and there was also a

universal view that within these plethora of influences, there were a few key critical elements that were the real determinants of the extent to which an organisation was able to embrace and develop asset management and that understanding these was important. Most case study organisations felt able to identify these *agents for change* and also to recognise their own organisations position relative to these.

The importance of commitment through leadership as a stimulus to adopting and developing asset management was identified at most case study organisations. In particular, this focussed around the need for a *champion*, who can act as an advocate for asset management at the organisation's senior decision making mechanisms and secure the political will to embrace the change of attitude required to support it as a distinctive discipline. It was felt that this leadership was required at both an officer and member level, but the field work at the case study organisations suggests that the commitment of the Chief Executive is perhaps of over riding importance, as he or she is best placed to encourage member engagement, to secure resources and raise the profile of asset management as a distinctive and valuable strategic discipline.

Whilst the requirement for leadership is perhaps an understandable prerequisite for effective asset management, the nature of this leadership is less clear. Questions of what type of leader, and at what level are important, as is an understanding of the motives of leadership in promoting asset management. Through the interviews whilst leadership was identified as being important there was also a view that what was required was more than merely leadership, but more a sense that leadership provided an impact across the organisation in support of asset management. This key issue is perhaps, best

summarised through the words of those interviewed as the *organisational will* or *commitment* of the organisation to embrace asset management.

Whilst there was limited evidence of an articulated long term vision for the portfolio in any of the extensive survey case study organisations, where it was evident, in cases such as Cambridgeshire and Croydon, then asset management practice was further advanced. In the UK all case study organisations had a Corporate Asset Management Plan, as a requirement of best practice imposed by the Department of Communities and Local Government rather than a long term strategic vision for managing the property portfolio. In cases such as Cambridgeshire and Croydon a separate document had been produced which attempted to articulate a shared set of objectives for the portfolio. Whilst it was not clear whether these strategies were acknowledged across the organisation at large it demonstrated a level of strategic thinking and focus which was in contrast to the Corporate AMP documents of other organisations which tended to concentrate on roles and responsibilities or to provide a narrative on processes.

Within Russia the focus of planning for property was restricted in all cases to a single years planning horizon, tending to focus on detailed programmes associated with immediate work, such as privatisation, and in line with annual budgeting cycles. Indications were given that such a planning horizon would stretch to three years when Russia-wide reforms would see the introduction of three year budgeting cycles for municipalities.

Interviewees acknowledged that an agreed long term vision for managing the asset base would be helpful as a framework for decision making, performance

measurement and for allocation of resources. Knowing how this strategic focus can be developed; what constitutes such a vision, and how it can contribute to effective asset management is therefore an important line of enquiry.

There was a tangible feel to councils where asset management was furthest advanced, in contrast to those where it was poorly developed. This manifested itself most notably in the morale and motivation of the staff involved in asset management. In those organisations most supportive of asset management, staff had a high degree of self-worth as they felt, as in the case of Croydon, the importance of property was recognised by the organisation. There was commitment to promote and encourage asset management and an opportunity for the asset management function to influence the strategic decision makers.

This was in contrast to organisations where asset management was lagging, such as the London Borough of Barking and Dagenham and Devon County Council. Here there was an almost resigned weariness to asset management by practitioners themselves who were struggling to influence the organisation of its value, to secure any senior engagement, and where progress was made *despite the organisation rather than because of it*. In many cases the skills and experience of the staff in those organisations where asset management was lagging was highly developed but unable to be fully expressed because of the organisational environment in which they were working.

Whilst the existence of a supportive organisational culture as a facilitator to asset management was identified, it was not possible through the extensive survey process to define its characteristics. As well as the high degree of morale of the staff there was in the more successful case studies, an

organisational environment which seemed more open to innovation and risk taking and the adoption of a more commercial attitude to its assets base. Understanding the characteristics that contribute to this entrepreneurial ethos, how they arise, how they are sustained, and which are the most influential in stimulating asset management can provide an important contribution to explaining the nature of asset management and whether a certain type of organisational culture enhances asset management.

All case study organisations emphasised the need for adequate data about the portfolio, either as a pre-requisite for effective asset management, or in those cases where data was lacking, as a constraint. However, although the extent and range of data held about the portfolio was different between organisations, all understood what data was required to manage assets and had aspirations over time to improve their range of data held. What seemed different in some organisations where asset management was more developed, such as Cambridgeshire and Ashford, was the level of portfolio intelligence rather than simply having data. This may link to organisational size as those organisations with a large portfolio may have trouble collecting and maintaining a broad range of data about property and may suffer from *much data but little intelligence*. This difference between knowledge of the portfolio rather than information seemed to be a distinguishing feature in the more developed case study organisations, and this knowledge provided a more effective basis for decision making both about individual assets and all assets collectively.

Whilst all case study organisations emphasised the importance of information to asset management, most, if not, all case studies organisations also readily admitted they were not making use of the information they did have, let alone

the wider information they needed for asset management. In some cases it was a situation of being *information rich but intelligence poor*. A greater understanding is required of what information is needed to provide portfolio intelligence and how this can be used to drive management action with respect to the portfolio as a whole or to individual buildings. As revealed earlier in the chapter the provision of even base information for the outcome measures for this research proved problematic, which reinforced a general feeling of case studies lacking real portfolio intelligence even where data was available.

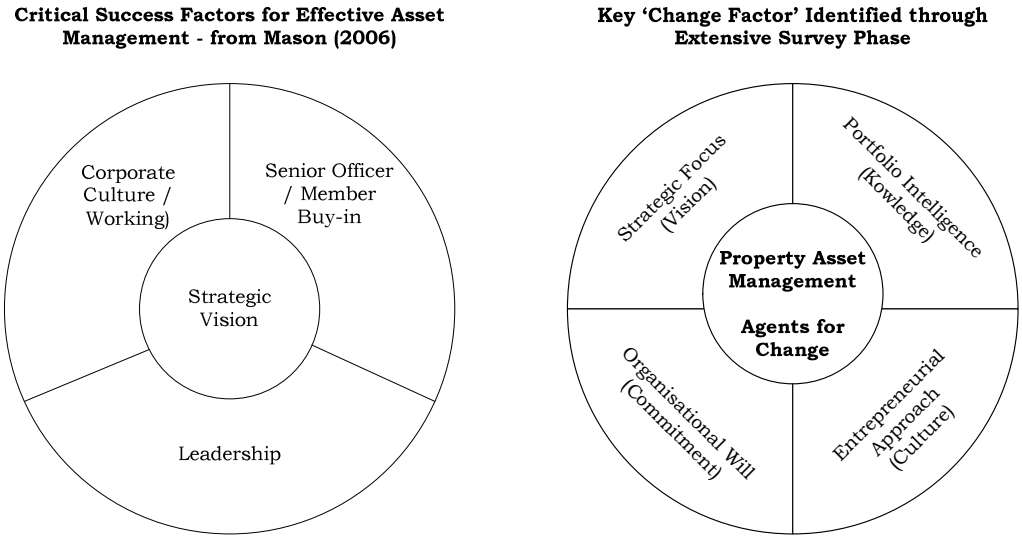
A recurring theme that emerged through the interviews that formed part of the extensive survey was the issue of an optimum size threshold for an organisation consistent with effective asset management. This was raised at two levels. Firstly, a lower threshold size for an organisation below which it was difficult to undertake asset management because of constraints in technical and professional capacity or because of the limited scale of the portfolio meaning the benefits were not significant. Secondly, an upper size threshold for an organisation above which it was difficult to work with a corporate, cross-organisation approach to asset management.

In the case of a lower size threshold this was typified by Waveney, which had limited capacity in terms of skilled staff to undertake asset management which lead to a poor self-perception of performance in asset management. In the case of an upper size threshold this was exemplified by Essex, Sheffield and Birmingham. In all cases there was a view that corporate working was inhibited by a strong service mentality within the organisation, and in the case of Birmingham also by a strong neighbourhood approach. This area based service provision, which was a specific policy initiative supported by the

council, gave neighbourhood managers a strong degree of autonomy which could act in a detrimental way to corporate asset management. This issue of optimum size was also revealed in terms of the urban or rural nature of councils, which was both a factor of size and of portfolio characteristics.

The findings from the extensive survey were that the transformation from property management to asset management was influenced by four change factors. These are illustrated in Figure 22 and echo earlier findings identified by Pitt (2005) and Mason (2006), as critical success factors in asset management. Mason (2006), writing specifically on asset management in the UK identified strategic vision, senior officer and member buy-in, corporate culture and leadership as the critical factors for effective asset management.

Figure 22 - Asset Management Key Change Factors



Whilst echoing Mason's findings this research also suggests some differences. In common with Mason (2006) strategic vision is acknowledged as being a critical factor. Whilst senior officer and member engagement is considered important, this research points to a wider organisational commitment as being

a requirement, one which embraces others as well as senior officers and members and which can be recognised as a kind of collective commitment. Mason's critical factor of leadership can perhaps be considered as part of this collective commitment. Whilst Mason (2006) emphasises the importance of a prevalent working culture, which he identifies as corporate working, this research points to a more entrepreneurial culture as the one which is required to drive asset management. Finally, in contrast to Mason (2006), this research identifies portfolio intelligence as a key change factor with the more innovative and effective asset management decisions being made possible through more effective knowledge of the asset base which municipalities own.

The extensive survey has therefore revealed four key change factors which facilitate the transformation of property management to asset management. These are:- strategic focus, organisational will, portfolio intelligence and an entrepreneurial culture. A summary of the characteristics which contribute to these four factors is given below. The supporting elements shown provide amplification to the short hand terminology adopted for the change factors.

Table 13 – Characteristics of Asset Management Change Factors

Change Agent		**Supporting elements**
Strategic Focus	Vision	Medium to long term strategy for asset management Skills and capacity to work at a strategic level Use of property as a catalyst to facilitate change
Organisational Will	Commitment	Leadership (Officer and/or member champion) Collective view of purpose and benefits Commitment to change/organisational improvement
Portfolio Intelligence	Knowledge	Comprehensive, current & accurate range of data Understanding of performance from trend data & PIs Knowledge of incipient problems & latent value
Entrepreneurial Approach	Culture	Commercial attitude to portfolio Some willingness to take risks Ability to deal to generate/release portfolio value

A summary table illustrating the strength of these factors in each of the case study organisation is given in Figure 23 below. The judgement of the strength of each change factor was derived from the application of the models to measure rationale, practice and outcomes and through interview at each case study. This provided a simple mechanism to facilitate the selection of case studies for intensive study based on the strength of the change factors.

Figure 23 – Strength of Change Factors in Case Study Organisations

		Strategic Focus	Organisational Will	Portfolio Intelligence	Organisational Will
1	Ashford	Moderate	Strong	Moderate	Weak
2	Barking & Dagenham	Weak	Weak	Weak	Weak
3	Birmingham	Moderate	Weak	Weak	Moderate
4	Cambridgeshire	Moderate	Strong	Strong	Moderate
5	Croydon	Moderate	Moderate	Moderate	Strong
6	Devon	Weak	Weak	Moderate	Weak
7	Essex	Strong	Moderate	Moderate	Moderate
8	Kingston-upon-Hull	Weak	Weak	Weak	Weak
9	N. E. Lincolnshire	Moderate	Moderate	Moderate	Weak
10	Portsmouth	Moderate	Moderate	Weak	Moderate
11	Sheffield	Weak	Weak	Moderate	Moderate
12	Waveney	Weak	Weak	Moderate	Weak
A	Kazan	Moderate	Moderate	Moderate	Moderate
B	Penza	Weak	Moderate	Weak	Weak
C	Perm	Moderate	Moderate	Moderate	Moderate
D	Sergey Posad	Weak	Moderate	Weak	Weak
E	Tver	Weak	Weak	Weak	Weak
F	Zhukovsky	Weak	Moderate	Moderate	Weak

Strong
Moderate
Weak

6.6.2 A Simple Typology for Asset Management

Using the analysis of rationale, practice and outcomes with an assessment of the strength of the key change factors it was possible to classify case study organisations according to their maturity in adopting asset management. This broad typology could have been developed in a variety of alternative ways, but the initial model presented in chapter 3 and adapted from Lloyd (2007) to differentiate asset management from property management, provided a simple

mechanism with which to define and position each case study. The development of this typology relative to Lloyd's (2007) model was discussed in Chapter 5.

The four quadrants of the typology have been labelled to give an overall description and the characteristics of each type and are amplified in Table 14 below. Each case study has then been classified into a single typology (quadrant) in Figure 24 and within each quadrant positioned to represent a point in time view of its approach to the management of its asset base. The positioning of each case study organisation in the typology was based a judgement using the relative the strength of each of the change factors at each organisation along with the data from the measurement of rationale, practice and outcomes. Whilst a subjective and simplistic typology it does provide a metric to differentiate between case studies and describe their approach to managing their asset base. It also provided in part a rationale for selecting the case studies for the intensive survey stage.

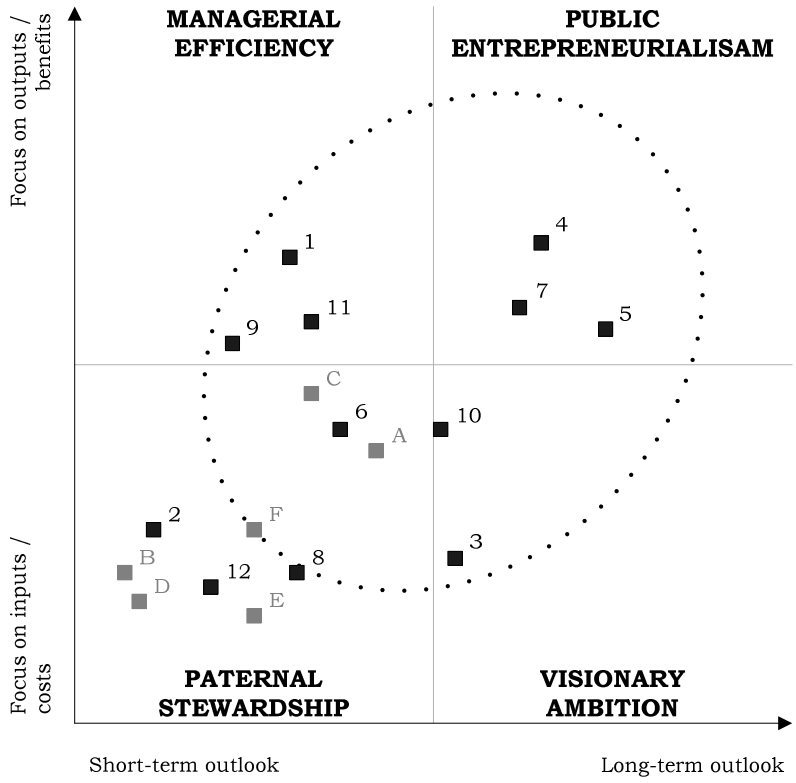
Table 14 - Characteristics of the Typology of Asset Management

Managerial Efficiency	**Public Entrepreneurialism**
Trying to do what they should be doing Procedural & practice compliance Concentration on performance	Using property as a catalyst for change Anticipating & innovating Effective delivery
Paternal Stewardship	**Visionary Ambition**
Operational rather than strategic focus Reactive rather than proactive Still doing property management	Longer term perspective Bold aspirations for the portfolio Radical plan linked to wider infrastructure

The origin can be viewed as the starting point for change representing a time prior to the inception of asset management. The diagram in Figure 24 below then illustrates the direction and distance of travel for each case study

organisation relative to this point in their development of asset management. However it must be noted as a point in time study different case studies may have been at a different stages in their development of asset management and the assessment provides no way of determining the pace of transformation.

Figure 24 - Positioning of Case Studies in the Asset Management Typology.



1	Ashord	7	Essex	A	Kazan
2	Barking & Dagenham	8	Kingston-upon-Hull	B	Penza
3	Birmingham	9	N. E. Lincolnshire	C	Perm
4	Cambridgeshire	10	Portsmouth	D	Sergey Posad
5	Croydon	11	Sheffield	E	Tver
6	Devon	12	Waveney	F	Zhukovsky

From the diagram it can be seen that the organisations from the extensive survey are clustered into three groups. The largest group, which includes four of the Russian case study organisations, are at the lowest point of the paternal stewardship quadrant; as if they have yet to really embrace asset management

at all. There is a second group which has developed away from this low base of paternal stewardship into asset management but taking divergent paths in terms of development; with some positioned in the managerial efficiency quadrant, some into the visionary ambition quadrant and others advancing more directly towards, but not yet reaching, the public entrepreneurialism quadrant. There is also a final group of the three case study organisations; all from the UK; Cambridgeshire, Croydon and Essex which have advanced more fully into the public entrepreneurialism quadrant.

Whilst the typology presented is a simplistic one and the positioning of case studies both subjective and imprecise it does illustrate that different organisations are at different stages of maturity in the development of asset management and that there are divergent paths in moving from property management to asset management. The simple typology with four quadrants means that organisations can only be placed into a single quadrant which reflects their predominant characteristic and stage of development.

6.7. Broad Conclusions from the Extensive Survey

The extensive survey process provided a broad analysis of asset management at a range of case study organisations in both the UK and Russia, and from this it was possible draw some general conclusions.

The analytical framework used for the research was well received by the practitioners at the case study organisations. The model for measuring the adoption of asset management practice worked well, whilst the models for measuring rationale and outcomes were less successful. In the case of rationale this was because primary drivers for asset management were not

always easy to identify as there tended to be multiple factors, rather than a single factor acting as an influence. However the model presented a simple device to measure relative strength of these influences. In the case of the outcome model the difficulty of case study organisations in providing base data which comprised the outcome measures undermined application of the model. This reinforced the orthodoxy revealed through the literature review of using measurement of adoption of practice as a proxy measure for outcomes.

The strongest single factor in the UK driving asset management was financial imperatives due to budget pressures and growing repair backlogs. Sweating the asset base was seen as a response to closing this 'funding gap'. However the adoption of asset management in all cases was due to a combination of factors rather than a single driver acting in isolation. In UK these drivers tended to coalesce around financial imperatives, leadership and external compulsion. This confirms the findings of the literature review that in the UK asset management has been externally imposed by central government policy reinforced by the CPA inspection regime and both capital and revenue financial pressures.

In Russia the overriding influence on the implementation asset management was identified by the case study organisations as conformity to statutory obligations; the requirements around privatisation of municipal property allied with increasing financial pressures. In Russia the financial pressures were considered acute because income from property contributes a significant proportion to total municipal revenue. External 'peer pressure' or the pressure to adopt asset management as a consequence of being externally advocated was relatively unimportant.

The combination of several drivers including external compulsion and financial pressures, allied with strong internal leadership seemed to provide the strongest catalyst for adopting asset management. Client expectations were rarely identified as a driver for asset management and in most cases client expectations were identified as the least significant factor in influencing adoption of asset management. This was even though all organisations recognised citizens were the ultimate beneficiaries of asset management.

There are differences in the adoption of asset management practice between the case study organisations, but all are working within a 'middle band' of practice. This band of practice is relatively narrow both in the UK and Russia, but in Russia the range is narrower and practice lags behind that of the UK. The 'practice gap' is not sufficiently wide to suggest that there are exemplar organisations in either UK or Russia that are well advanced in asset management. This confirms the prevailing view of commentators implied through the literature review that asset management is an immature activity with practice lagging theory.

Both the UK and Russian case studies had difficulty in providing basic data about their portfolios in order to derive the output measures. This made it difficult to examine the relationship between practice and outcomes and thus reinforced the impression given through the literature review that adoption of best practice was used as a proxy indicator of good asset management outcomes because defined outcome measures are difficult to define and collect. In the case of Russia there was also some sensitivity around providing outcome data. This was explained at some case studies as an unwillingness to

release data due to imminent local government reorganisation, but in other cases it was acknowledged that data was not available.

The extensive survey stage also identified a small number of critical change factors in the development of asset management from property management which as emerging themes were worthy of more detailed and specific analysis during the intensive and longitudinal surveys. These were described as organisational will, strategic focus, commercial ethos and portfolio intelligence. These expressed in shorthand are commitment, vision, culture and knowledge.

There was an implied dependency or sequence in these critical change factors. There was also a suggestion revealed through the extensive case study work that these factors come together more easily in organisations within a certain size threshold (optimum size). This latter issue has not been explored through the intensive survey stage but is discussed as an area for further research in chapter 9. There was also considered the potential to classify case studies into a broad typology of asset management based on their characteristics as identified through rational, practice and outcomes. Again this has not been explored through the intensive survey stage but is also discussed as an area for further research in Chapter 9.

The key lines of enquiry around the four emerging themes framed as research questions for the intensive survey stage were:-

- What is the nature of commitment required for asset management?
- What is the relevance of a vision for underpinning asset management?
- What characteristics create the environment for asset management?
- What is portfolio knowledge and how this help decision making?

CHAPTER 7

Intensive and Longitudinal Survey

7.1 Introduction to Intensive Survey

The extensive survey described in Chapter six revealed some differences between the case study organisations in terms of their rationale for undertaking asset management, the extent of their adoption of best practice, and in outcomes achieved. It also revealed some areas of commonality and difference between the UK and Russia as illustrative of asset management in a developed country and a country in transition. The use of a broad typology to describe asset management implied that there may be differences between organisations in terms of the stage of their evolution from property management to asset management. Finally, the extensive survey identified four changes factors which were prerequisites for organisations in this transformation process. The purpose of the intensive survey stage was to consider the nature of these changes factors in more depth at three case study organisations as an aid to understanding asset management.

7.2 Case Study Selection

Three organisations were identified through the extensive survey as being of interest to investigate in depth. This was because of their stage in the development of asset management, the wider organisational environment in which they were operating, their aspirations for change, or a combination of these. The case study organisations were neither typical nor atypical of the wider population of councils, but selected using a purposive sampling approach as cases which had something to reveal about the principal research

questions. The case studies presented contrasting perspectives on asset management. The three case study organisations were Kingston-upon-Hull and Cambridgeshire in the UK and Kazan in Russia. This selection of cases for intensive survey was as a result of a broad judgement of being of interest as a consequence of the extensive survey phase.

For each organisation a range of stakeholders for asset management, from both within and external to the council, were interviewed over a period of two or three days using semi-structured interviews. A full list of those interviewed is provided as Appendix 3. As in the extensive survey, the nature of the study process was reflective, drawing conclusions from the interviews, rather than evidential, seeking out documentary confirmation of expressed views. As such the case study findings needed to be treated with a degree of caution. The interviews were supplemented by a review of relevant documentation. This chapter provides a brief analytical commentary on each organisation, highlighting in each case the key issues impinging on the implementation of asset management. A particular convention has been adopted in the narrative of the case studies with actual words used by interviewees included in italics and integrated into the text narrative.

7.3 Kingston-upon-Hull City Council

7.3.1 General Context

Kingston-upon-Hull is a unitary authority in the east of England with a population of 249,000. It is a major timber and ferry port, but its port activity and the city's prosperity has declined with the demise of the fishing industry. The city is now trying to promote itself as a centre of digital technology as means of reversing this decline. It is a city which suffers with high levels of

deprivation, with its more affluent suburbs lying within the neighbouring authority of East Riding. The Council has 59 elected members and has operated with a leader and cabinet model of government since 2002, with eight thematic portfolio responsibilities. Traditionally a Labour authority, since May 2002 the administration has been in a period of flux with changes in control.

In April 2002 the Audit Commission undertook a Corporate Governance Inspection (CGI) of Kingston-upon-Hull and published its findings in July 2002. In December 2002 the Audit Commission published its CPA of the council which categorised it as 'poor' with 'poor corporate ability to improve'. As a consequence of the CGI and CPA categorisation as 'poor' the council was subjected to a formal agreement with ODPM with a requirement to produce a recovery plan. A progress report published in November 2003 by the Audit Commission concluded the council '*had failed to make sufficient progress since the CGI and was therefore in breach of its duty under the Local Government Act (1999) to secure continuous improvement'.* Following publication of this report the Secretary of State issued a directive which required the council to cooperate with a government appointed team in responding to issues identified in the progress report, one of which was corporate governance.

Both the Corporate Governance Inspection and Audit Commission CPA assessment were critical of the council suggesting the council faced a substantial agenda to enable it to improve its services and to promote wider regeneration of the city. They identified weaknesses in organisational capacity, poor cross-political cooperation and lack of clarity about strategic direction as factors contributing to generally weak services and unsatisfactory outcomes for the community. Whilst no specific mention of asset management was

made within the reports the more general criticisms made were applicable across the broad range of council activities, and asset management in the view of those interviewed was indicative of these wider organisational problems.

The Audit Commission CPA Report (2002) remarked that there was a lack of clarity about the necessary strategic management changes required to underpin improvements to governance and service delivery. However the report also noted that the council had not shirked from the need to address identified criticisms, and had responded with new senior officer appointments and a collective attitude that '*there is a need to change*'. One of these new senior appointments, the Deputy Chief executive suggested the council *was stuck in a bit of back water and in something of a time warp*. In many ways the council she suggested was *at a watershed and needed to make some strategic choices and quickly*. The Leader of the Council was even more forthright in his assessment of the council saying *the council's services were poor bordering on pathetic* and that, *if it did not change it would not be fit for purpose*. The development of asset management was both symptomatic of this general mood for change and at its forefront. This was perhaps partly because the council's property services function was perceived by some senior officers and members as being an extreme example of the *outdated model* of the council.

The Recovery Plan the council developed in consultation with the ODPM in response to the CGI identified five Programme Boards to oversee delivery of the various parts of the recovery plan. Matters related to asset management were included in the programme area for Corporate Resource Management. As part of this recovery work the council commissioned GVA Grimley in April 2004 to undertake a 'health check' of its property management arrangements and

provide an enabling report to point the way forward to improve asset management. Again, later in January 2007, and under a new management structure, the council invited the Improvement and Development Agency (I&DeA) to undertake a 'peer review' of its asset management practices as part of its drive to raise standards across the council.

Kingston-upon-Hull made an interesting case study organisation because it was on this cusp of change. The change was driven initially by a poor CPA inspection which made the administration recognise that it needed to change. Its traditional policies and practices, plus a legacy of inactive management of the portfolio had left the council with a bloated portfolio with a significant latent value. Changes in political composition of the council created tensions between the more paternalistic approach of the past and the emerging commercial and entrepreneurial approach for the future which manifested itself in the area of asset management and provided a rich seam for investigation. These factors implied the potential for significant change in asset management over a short period. The future suggested a more prominent role for asset management, in contrast to its neglect in the past, and a scenario which saw asset management emerging at the centre of corporate policy rather than as a marginalised, unrecognised activity. Asset management was seen to be at the forefront of the required organisation-wide transformation and both the Chief Executive and Leader of the Council saw property as an enabling catalyst for this change.

The Kingston-upon-Hull Corporate asset Management Plan and Capital Strategy (2006) summarises the council's portfolio, excluding housing, as comprising 1372 assets with a total floor-space of over 385,000 M^2 and an

asset value for capital accounting purposes of £662.4M. Of this, 66 properties with a value of £18.4M were identified as surplus and the estimated backlog maintenance figure for the portfolio was £29.7M. The council had an unusually large commercial portfolio of 974 properties, worth £78M and generating an annual income of £5.5M. In the view of the Chief Executive *the amount of property it had was disproportionate to its needs* and thus this bloated portfolio provided the council with the potential to reduce costs or generate cash through property disposals.

7.3.2 Asset Management Rationale, Practice and Outcomes

Kingston-upon-Hull responded to the national policy drive for asset management in the UK by submitting, in common with other councils, its Corporate Asset Management Plan to the government regional offices in 2001 and 2002. In the view of the Head of Asset Management they *did the basics*, but *processes were not embedded* within the organisation and it was largely an unrecognised and misunderstood activity within the council. Whilst responding to the national policy initiative for asset management the council did not embrace the concept fully, and thus, the initial drive for asset management was a weak response to national policy which left the council *lagging behind others*. In common with other council activities it came under the spotlight with the CGI and CPA, and recognition that asset management as part of the Key Lines of Enquiry within the CPA inspection process would need to be addressed to improve the council's 'poor' rating.

However, the real stimulus and asset management's promotion as a significant corporate issue for the council seems to have occurred following the appointment of a new senior management team of officers. They, in common

with the new generation of elected members after the May 2002 elections, recognised that the latent value within the property portfolio could assist in responding to the financial imperatives imposed by the council's constrained revenue and capital budgets. This, coupled with concerns about the performance of the property function in general, catapulted asset management to the forefront of the council's radical transformation plans for both the city and the council itself. Whilst leadership was initially considered a weak driver this change provided an impetus for a new stronger leadership. At the time of the visit it was thus felt that leadership coupled with financial pressures were providing a dual stimulus for the adoption of asset management.

Kingston-upon-Hull demonstrated uniform weaknesses across the broad range of elements that comprise best practice. The I&DeA peer review identified weaknesses in the development of service asset plans, poor linkage between financial planning and asset management, conflicting roles for strategic property matters, lack of performance information and absence of strategic objectives for asset management. However, in discussions with staff from within the council, this was felt not to be a reflection of the lack of knowledge or expertise about what was required, but rather recognition that progress was difficult in an organisation where there was a lack of commitment to, and leadership of asset management. Kingston-upon-Hull was therefore perhaps typical of an organisation that was doing the basics but was struggling to get past the 'beginners' stage of asset management because of this lack of organisational drive. In comparison with the case study organisations of the extensive survey phase Kingston-upon-Hull lagged behind all other UK case study organisations, with the exception of the London Borough of Barking & Dagenham and Waveney District, in its adoption of best practice.

In contrast to its status of lagging behind in the adoption of 'best practice' Kingston-upon-Hull's property portfolio as described by both the composite and single measures of outcome placed it in advance of the other case studies in terms of its portfolio performance. Whilst in part this can be attributed to a past legacy of inactive management of its portfolio which contributed to a significant latent value in the estate, other measures such as liabilities through accumulated backlog maintenance also demonstrated a portfolio which was well optimised. This acts as a contradiction to the orthodoxy that poor practice correlates to poor outcomes.

7.3.3 Aspects of Asset Management Revealed

A number of factors were identified through the interviews as contributing to the relatively poor perception of asset management and its status within the council. These, in part, echoed the earlier findings from the GVA Grimley report (2005), and it was noticeable that with the passage of time since this report many of the identified problems still remained.

Weak leadership was identified by several interviewees as the most significant constraint to the development of asset management. This lack of leadership was identified in several areas. At a political level there was no member *champion to drive forward* asset management. Whilst the Leader of the council was the portfolio holder responsible for asset management this was considered by some as *mere tokenism*. Further, there was confusion between two areas of responsibility each with a member lead. Whilst the emerging strategic direction for the authority was *asset-led regeneration* there were two separate portfolio responsibilities, one for asset management and one for regeneration which lead to some confusion and dilution of leadership.

There was also a lack of leadership at an officer level since the departure of the Head of Property in mid-2006. The Head of Asset Management was therefore operating at a fourth tier level, and in his view, divorced from the key decision making forums. Whilst there was accountability for asset management at intervening levels up to the Chief Executive in each case these officers saw asset management as a professional, technical discipline the skills for which they did not have. This had the propensity to push the asset management accountability down the organisational hierarchy to a lower operating level. From the perspective of those working within asset management this weak leadership manifested itself through a lack of commitment and a lack of resources.

In the case of Kingston-upon-Hull the presence of adequate capacity and experience in asset management within the organisation was no substitute for strategic leadership. Whilst there was not a uniformity of views about the level of asset management expertise within the council, the general consensus was that it was more than sufficient. In the view of the Head of Shared Services whilst *the capacity and skills were about right, the culture was wrong.* Although in his view *it could be leaner and work smarter,* this was a criticism that could be applied not only to asset management but the council as a whole. In the view of some staff the property service had capable group managers but these were exposed without a head of service and therefore without this leadership support had felt pressure from both above and below.

There was ready acknowledgement that there was a lack of a corporate approach within the council and that the *strong prevailing service silo mentality* would prefer that a corporate approach did not happen. One

example, in the asset management field the Head of Shared Services remarked, was the lack of joined up work between the Housing, Highways and Education services on property matters. Perhaps, as a consequence of this overriding service mentality asset management links with service planning were poorly developed and asset management was not seen as being integral to the corporate and service planning processes. This strong sense of assets being 'owned', used and managed departmentally, rather than corporately, was an echo of GVA Grimely's main findings from their 2004 report. This limited the asset management function's potential to demonstrate their value by identifying innovative solutions to incipient service needs. As a consequence asset management was operating as a marginalised activity, remote from both corporate and service planning, in an organisation in which corporate planning itself was subservient to a strong service philosophy.

In this environment where asset management was divorced from corporate and service planning it was *not always easy to understand what services needed* and the property service was seen as being unresponsive, which reinforced the service view that asset management *was not an activity which could help them* and thus, undermined its credibility.

There was uniform unease in all interviewees about the quality of the information on the council's portfolio. There was a lack of confidence about the completeness and accuracy of the basic inventory of properties the council owned or used, and a view that *processes to collect and maintain property data were inadequate*. The wider information needs to provide full intelligence on the portfolio, such as building condition, running cost and utilisation, were also incomplete or for many properties non-existent. In organisational terms

there was no focus for information management within the property services structure, and thus, no single individual with responsibility for maintaining property data. These failings were acknowledged in the GVA Grimley report of 2004 which stressed good data management as being the cornerstone for effective asset management. The overriding impression this left was that the council was at risk of making less than optimal decisions on property as a consequence of imperfect information.

A recurring theme, identified by elected members, was the lack of systematic reporting on property matters and the sense that some things were being *kept from them*. At its extreme this was considered at times *as actively working against them*. This was perhaps symptomatic of the lack of an embedded performance culture of the wider council, as highlighted by the CGI, but also indicative of the overarching theme of a lack of customer focus demonstrated by the group responsible for property matters. There was however, a disparity between the views of officers and members on this, as officers felt that they did report upwards as required to the senior officer groups.

Within Kingston-upon-Hull the perception of property services was poor. Whilst a few recognised its value, more saw property as *a constraint or a problem rather than adding value*. In the view of the Head of Shared Services, whose responsibilities included property management, this was in part because of *poor marketing and presentation of the service* and *a reticence to celebrate their achievements*. It was also reinforced by the lack of separation between strategic and operational aspects of the property service with the more strategic nature of asset management being confused and subsumed by the operational activities.

In the view of others the cultural attitude and nature of asset management was problematic. The asset management service could be perceived as traditional, had not been touched and *was curiously powerful and not accountable*. In the view of some members, they had little influence on the asset management service, and they could not get anything out of them. In the view of the Chief Executive it had been managed in a way which was very protective with *professionalism being used as a protective mechanism*. Whilst a culture of change was affecting the council, in the view of some, asset management remained distant from this change.

This view of the attitude of asset management as being protective, old fashioned with a lack of understanding of the new political agenda, also hinted at the future direction, as the council's requirements for asset management. In the words of the Chair of the Primary Care Trust it needed to be *fleet of foot, supportive rather than obstructive, willing to work with the private sector and to be an enabling rather than simply a doing function*.

Asset management in Kingston-upon-Hull has not been recognised as a distinctive activity. It has traditionally been viewed as part of the remit of property services which itself has been viewed as a support service. This view of asset management the Leader of the Council readily acknowledged *needed to change, but that change was only happening slowly.* It was also recognised that asset management was relatively low in terms of the council's overall priorities, that it was not recognised *as a strategic issue in terms of its awareness, priority and importance.*

This lack of relative importance given to asset management was perhaps a

reflection of a wider organisational lack of awareness and understanding of the nature of asset management and its potential benefits. This was in despite of a weary admission from the Head of Asset Management that they had try to *sell the message,* but that it *had fallen on deaf ears*. There were signs of change though, because as the Head of Asset management remarked last year people thought I was responsible *for fixing doors and windows and now they know I can do a lot more.*

There was a disparity of views about the strategic direction of the council. In the view of members and senior officers the overall strategy had been defined and communicated across the council, but although the message *had been sent* it *had not been received,* and as a consequence there was a lack of understanding of the corporate strategy. On the other hand more junior officers felt that the new council's vision had not been clearly articulated and that this made delivery of an asset management strategy to support it more difficult. What seemed evident was that the strategy for the council was changing, but also subject to continuing debate at a senior political level, which ultimately meant it was not fully supported. Whilst the embryonic vision for a leaner, enabling authority was generally understood what this meant in practice was not. It was within this unformed view of strategic direction that asset management was struggling to define its role and value.

Despite the problems identified within Kingston-upon-Hull there was coherence to the articulated, if unpublished, asset-led regeneration strategy for the city. This aspiration supported a more radical and innovative use of the asset base to make a step change to both the city's infrastructure and the city council itself. This strategic direction was in part made possible by the legacy

of poor management of the city's portfolio which had left it bloated with significant latent value which could be released. In essence as the Chief executive readily admitted *poor management in the past had provided an opportunity for the future*. There was also some understanding that the unitary status of the authority and urban nature of its administrative area may also be a positive factor in making such a strategy viable.

The relationship between civic image and asset management was both important, and the focus of considerable debate within the council and the city at large. The collective view of the council was to encourage good architectural design in order to promote and improve the city's image and attractiveness to business and people, on the assumption that good buildings attract industry and visitors. They had encouraged iconic glass and steel buildings as a counterpoint to, but complimentary with, the historic brick buildings of the city centre. These aspirations for good design were ones which the council sought to embrace and reflect through its own buildings stock.

Despite the problems identified above which characterised asset management at Kingston-upon-Hull there were also signs of innovative practice. The council had undertaken both an initial exploratory and in depth analysis with partner organisations to develop a new delivery framework for the city's regeneration. The philosophy at the heart of the concept of a single regeneration vehicle was the ability to co-ordinate delivery agencies and their respective funding streams into a single focus of regeneration for the city's infrastructure. This would eliminate duplicated costs associated with specialist services in each organisation whilst also providing added value through bundling of construction projects into a single coherent programme.

It would also, as the City Council's Cabinet Report (2007), identifies address concerns voiced by elected members that the existing arrangements did not sufficiently demonstrate rapid visible progress on the ground in tangible changes to infrastructure. Whilst the single regeneration vehicle had not been created it represented a potential solution to counter the fragmented and piecemeal approach to regeneration which is symptomatic of many cities. Through interviews with senior officers within the council it transpired that one avenue of thinking was the potential to transfer city council assets into, and take an equity stake in a joint venture company which could act as the delivery vehicle. Despite the concerns this would raise in the older patriarchal political guard within the council it illustrated the innovative asset management action that was being contemplated as a step change in transforming the council and the city.

7.3.4 Changes over Time at Kingston-upon-Hull

Kingston-upon-Hull was revisited approximately eighteen months after the intensive survey visit to examine what had changed over the intervening period. The changes that had occurred were discussed with a number, but not all, of the original interviewees from the intensive survey stage.

The over-riding conclusion was that *changes have been quite radical* over the intervening period and the council has *moved quite far* in terms of asset management. At the time of the return visit the city council were finalising discussions for creating a joint venture company to provide property services to both the city and wider region; to be called NPS Humber Ltd. The decision had been made and work was in progress to establish the company and to resolve issues related to the transfer of council staff to the new company and

the amendment of the council's constitution to accommodate the operating needs of the new organisation. Abigail Walker, council member and portfolio holder for customer and corporate services at Kingston-upon-Hull, said in a press release (2008) that:

> *The formation of this new property company is vital to ensure that value for money and efficient, effective service is available to the people of Hull. It is also a great opportunity for the staff in Property Services who have played a major role in the process.*

NPS Ltd was originally formed in 2000 as business unit within Norfolk County Council which became a limited company in 2002. It provides a range of property services to both the private and public sector. The company is wholly owned by Norfolk County Council and retains a public sector ethos.

Whilst this could in part be seen as a response to the poorly performing property services organisation identified at the intensive survey stage, interviewees inside the property function perceived it in this way from a city council perspective, but on a personal level also welcomed it as an opportunity for *a fresh start* and for the wider career prospects it might offer. The collaboration with NPS Ltd, as a wholly owned public sector organisation, was also one that sat more comfortably with the council's political disposition than collaboration with a private sector company.

During the interval after the intensive survey stage visit it was felt that asset management had secured an increased profile within the council, principally through strong support, from both the Deputy Chief Executive and the Chief Executive. There had *also been a firmer steer* over future direction manifested

in part in the decision to outsource the property service function to NPS Humber Ltd. It was felt that the partnership with NPS Ltd would allow a better focus on providing strategic asset management advice to the council, with potential over time, to provide services in asset management to the wider public sector as a fee earning activity. It should be noted that the partnership with NPS Ltd was under initial investigation at the time of the intensive survey visit, but as a formative idea, rather than a confirmed intention. The intention with the new partnership was for the council to retain a small strategic client role, termed a 'thin client' arrangement to monitor the relationship with NPS Humber Ltd. The nature of the relationship between the council and NPS Humber Ltd was perceived as being more of a *partnership arrangement than a contractual arrangement,* but it was acknowledged that *time will tell how well it works*. The environment was identified as *being supportive and optimistic*.

It was revealed that all existing property staff had been involved in the discussions over the role and formation of the new company and had adopted a positive attitude. All existing staff involved in asset management would be transferred over to the new company. It was felt that the new organisational model would offer better engagement with the council, improved focus and a better capacity to meet the council's aspirations and objectives.

It was suggested that over the intervening period the council *had achieved much greater strategic and corporate decision making* in asset management. *Whilst still finding its feet* and *establishing its role* an effective Asset Management Working Group had been established at an officer level chaired by the Director of Finance and involving Heads of Service. This it was felt *was working well* and *promoting a real corporate approach* to decision making. This

higher profile and corporate approach was also reflected in the Council's Asset Management Committee. This was chaired by the Council leader and also included the portfolio holder for asset management. It was felt that this committee had in large part resolved the ambiguities and potential conflict over the member lead on asset management which had been identified through the IDeA (2007) peer review of asset management at the Council.

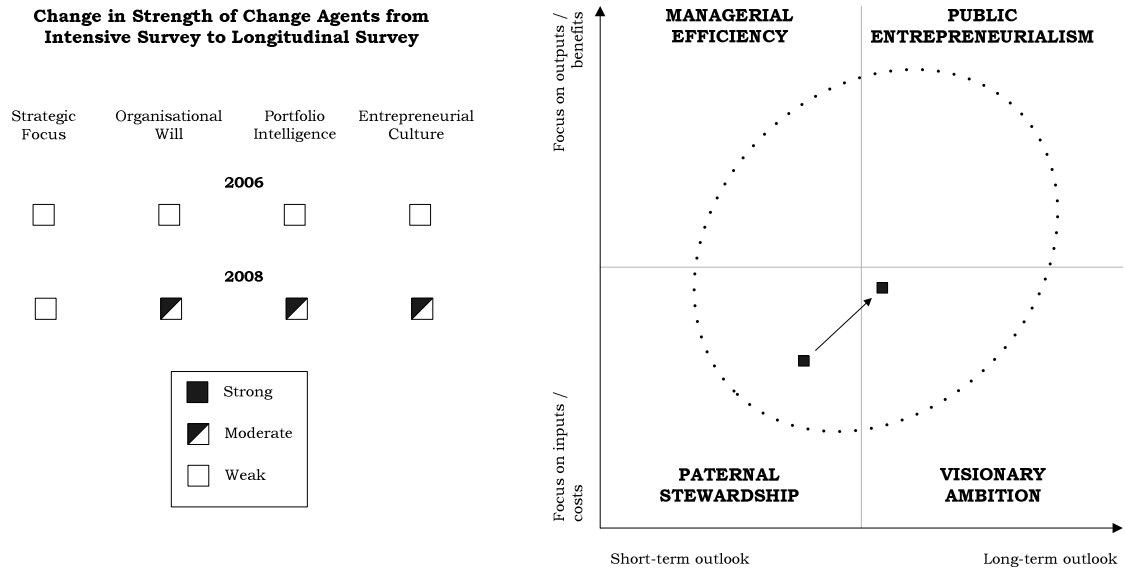
The Head of Asset Management felt that the council had made a *massive leap forward in terms of information*. They had moved, from a situation of relatively poor information on asset management held *in a variety of ad hoc databases*, to a situation where they *have good, comprehensive and current information available* through two principle systems linked with a geographical information system (GIS). This allowed easy access to data at an individual asset level or for the portfolio as a whole. Whilst acknowledging that there was still some further work required, they now *have robust information to support effective decision making* on asset management, such as whether to invest or divest of property. This advancement had been made possible it was revealed through significant investment in staff, IT systems and data collection.

During the elapsed time between the intensive survey stage and the follow up survey, Kingston-upon-hull made progress across all the four dimensions identified as change factors underpinning the transformation to asset management from property management. The culture was more business orientated with a focus on sweating the asset base to release development sites or disposing of properties no longer required for council services. There was greater clarity of the future for asset management given in part through the commitment to establish a partnership model. There was sustained

interest in, and commitment to, asset management from senior member and officers of the councils and a major advance in intelligence on the portfolio.

The extent of these changes are reflected in Figure 25 below which illustrates that Kingston-upon-Hull had improved in strength in three of the four change factors including Organisational will, portfolio intelligence and entrepreneurial culture. Whilst it was implied that it had also improved in terms of strategic focus it was felt that on balance it was still relatively weak in this area. The diagram illustrates the progression the city council had made over the elapsed time between the intensive survey stage and the follow up visit against asset management typology. It was felt that the council had progressed from the paternal stewardship role of asset management towards the one of visionary ambition. It was acknowledged that the driver for these changes was still in large measure an ongoing response to previously identified performance issues around both the council and the property services, but also that the council needed to change, and had changed, in a fairly radical way.

Figure 25 - Changes at Kingston-upon-Hull over Time



7.3.5 Summary of Asset Management at Kingston-upon-Hull

At the time of the intensive survey Kingston-upon-Hull exhibited a weakness in all the four areas identified as change factors for the transition from property management to asset management. There was a lack of strategic focus and long term vision for managing its asset base, although there were suggestions through its asset led regeneration strategy of a longer term perspective being embraced. Organisational will was lacking as political differences were acting as a constraint to a strong collective commitment to action. Again, the appointment of a new Chief Executive was providing greater direction to, and raising the profile of, asset management within the council. Portfolio knowledge was also lacking which had a detrimental effect on decision making. Finally the culture of the organisation was one that was resistant to rather, then embracing change, and innovation and creativity was stifled in a conservative operating environment. The overall weakness of the organisation in all four of the key change agents meant that it could be considered as in the paternal stewardship mode, struggling to move forward.

There was a tension between a traditional view and a new emerging more entrepreneurial view of property. The Chief Executive characterised it as *a clash between the commercial age and the age of paternalistic city fathers*. The new commercial age was one which was striving in the case of Kingston-upon-Hull to assert an asset management function which was strategic, commercially orientated, embracing the private sector, policy driven and with defined financial targets in order to sweat the asset base. This was in contrast to the paternalistic tradition, which was one in which property was a physical manifestation of the council in the community, where there was antagonism towards the private sector and where there was greater concern for

stewardship of, rather than exploitation of, assets.

The entrepreneurial view of asset management was the one being promoted through the organisational transformation of the council and its services in response to poor CGI and CPA assessments. The term *clash* used by the Chief Executive was appropriate as it echoed tensions in the composition of the political body of the council reflecting a change from *the old labour guard* to a *new generation of younger politicians,* with the old guard still perceived as capable of resisting proposed changes.

It was also evident in Kingston-upon-Hull that there was confusion about the term asset management and its meaning distinct from property management. This was a recurring theme through the interviews when asset management was discussed in terms of the broad range of technical property related disciplines that comprised the organisational unit of the council named 'Property Services', rather than a more strategic activity closely aligned to the corporate objectives. In many ways the terms asset management and property management were used interchangeably with the implicit assumption that they were the same thing. There were some signs that the distinction between the two terms was being recognised but this was not universal and confusion persisted.

Kingston-upon-Hull represented an organisation which had rather belatedly embraced asset management with its impetus for adoption being driven by the external influence of performance inspections. It illustrated the tension between the commercial attitude to exploiting the asset base as a factor of production and a more paternalistic, traditional role of stewardship of assets.

It also illuminated the tensions implicit in the evolution of asset management as a strategic, corporate activity from the more professional and technical discipline of property management. In the case of Kingston-upon-Hull these tensions surfaced in a political debate about the future direction of the council and asset management's role in this, and in the limited recognition across the organisation about the nature and benefits of asset management.

Kingston-upon-Hull demonstrated that historical inactive management of its portfolio had led to a significant latent value which can be exploited which has been, in part at least, a catalyst for change in the organisation as a solution to financial pressures. It also highlighted the importance of strong, unified political and officer leadership, the need for clear strategic direction, the value of a supportive cultural environment, the requirement for close integration with corporate and service planning and the necessity for full portfolio intelligence to create the circumstances in which asset management can develop. Despite its status as lagging behind in asset management it also exhibited some examples of innovation which resonates with its intentions to make a step change in performance. These included the concept of a single regeneration vehicle, a focus on civic image and an emerging strategy which is predicated on asset-led regeneration.

Over the eighteen month period of elapsed time from intensive survey visit to the follow up visit Kingston-upon-Hull had made some discernable progress in asset management. This progress included greater strength of leadership, a clear longer term direction and rapid improvements in data quality. At the time of the follow up visit the property services unit were about to be externalised through an innovative joint venture scheme with NPS Ltd and this

was well received by both staff with the asset management function and the council at large. The progress made over the eighteen month period suggested that the council could be re-positioned in the typology of asset management and that it was moving toward the more strategic approach consistent with the overall philosophy of asset management. However the joint venture externalisation of its property related services was just being initiated and it was too early to see what, if any, affect this had on asset management.

7.4 Cambridgeshire County Council

7.4.1 General Context

Cambridgeshire is a mainly rural county in the east of England with a population of 552,200. It includes the university city of Cambridge and the cathedral city of Ely plus several historic market towns. Whilst predominantly rural in nature, with a traditional agricultural base, it also has a strong scientific centre focussed on the city of Cambridge. The bulk of the county has been designated as a growth area with a consequential increase in new housing required over the medium term. This will place demands on the existing infrastructure as well as for new infrastructure and will cause challenges in terms of demography, employment and transport.

The county is relatively prosperous due to its proximity to London but this masks some pockets of deprivation that exist in the rural areas of the Fens and also in some urban areas. The council has sixty nine elected members and operates with a leader and cabinet model of government, with ten thematic portfolio responsibilities. The council administration has traditionally been politically conservative. In its CPA assessment for the council the Audit Commission (2007) said that '*overall Cambridgeshire County Council is*

performing adequately with a clear vision of what it wants to achieve for its communities. It is ambitious for the area and has shown strong leadership.'

7.4.2 Asset Management Rationale, Practice and Outcomes

In a presentation to the IPF National Conference on asset management Cambridgeshire County Council (2007) identified the broad drivers for asset management as the sub-regional growth pressure and the population change associated with this, coupled with the maintenance backlog issues of the portfolio and pressures such as council tax. Whilst these provide the broad context of influences on asset management they do not reveal why Cambridgeshire was so quick to embrace asset management as a discipline and, why they have earned a reputation as leaders in the field. In their presentation on their application for Beacon Status in asset management the council revealed a mature approach, with knowledge and processes embedded which was in contrast to the relative immaturity of many other councils. For example, Cambridgeshire County Council (2005) identified their embedded asset challenge methodology and area review processes as illustrations of their maturity in asset management. In this sense Cambridgeshire was not like other authorities, responding to a policy directive to undertake asset management, but already doing it.

This early maturity in asset management seemed to be the result of an existing knowledge and capacity within the council, a view which was confirmed through interview. There was a strong feeling of internal capacity being a driver for asset management. In the view of one interviewee, *asset management equals the Head of Strategy and Estates*. This internal capacity was supported, at least through the Beacon application process, by strong

leadership with the support of the Chief Executive. The council's Property Strategy (2001) embraced many of elements of asset management philosophy and practice, recommended by national guidance which ushered in asset management as a requirement for UK local government, but also predates it.

Given this early adoption of asset management it is unsurprising that Cambridgeshire County Council appears to embrace many of the recommended elements of best practice. From the extensive survey phase Cambridgeshire was the authority which was undertaking most elements of this practice and could be thus recognised as a leader in asset management practice that its Beacon Status implies. As a Cambridgeshire County Council (2005) press release identifies the Beacon Scheme was run by the Office of the Deputy Prime Minister to promote best practice. Cambridgeshire County Council was awarded Beacon Status in asset management along with only four other councils during the financial year 2005-06. The county council shared their experience of asset management through open days and by providing a mentoring service to other councils seeking to improve their own capacity and expertise in asset management.

The Cambridgeshire County Council Corporate Asset Management Plan (2006) identifies a portfolio worth in excess of £600 million, comprising over 600 assets with a maintenance backlog figure of £71 million required to bring the building stock up to the required standard. The portfolio contains a diverse mix of buildings including 238 schools, 32 libraries, 15 travellers' sites and 40 residential or day care centres. The council's commercial portfolio is principally a single office block on the shire hall main office site which is sub-let and the County Farms estate which the Corporate Asset Management Plan

(2006) identifies makes a significant contribution to the council budget.

As a result of recent organisational changes the asset management function sits as part of the Directorate of Finance, Property and Performance reporting through the Director to the Assistant Chief Executive and then Chief Executive. The effective lead responsibility on asset management on a day to day basis is through the Head of Estates and Strategy who operates at a third tier level. Asset management is represented at a Director level through the Director of Finance, Property and Performance but as part of a wide range of responsibilities. These recent organisational changes were the result of the council being downgraded through a comprehensive performance assessment. The new council leader and new Chief Executive have ushered in a series of changes as part of the response to this weakening performance assessment.

7.4.3 Aspects of Asset Management Revealed

The council seems to have a common understanding of the nature and purpose of asset management. There was a shared understanding that asset management is not undertaken simply for its own sake or because of a decreed requirement, but rather because it was viewed *as an agent for wider change* such as community regeneration. The role of asset management was described as being *the grit in the oyster,* with its purpose to provide a challenge to services but to do this in a supportive and positive way. There was also a pragmatic focus on a subset of the portfolio, where in the view of the Head of Estates and Strategy, they *can make a difference*. There was recognition that some of the portfolio was in the right place and providing the right services and so there was a deliberate attempt to focus on the small part of the portfolio where change can deliver service improvements. This targeting of

action was only possible; it was suggested, as a result of a good understanding of the portfolio.

Whilst acknowledging that in the past the Council has generally planned on a one year time frame and been largely reactive rather than proactive, the recent development of an integrated plan has *fostered greater joined up thinking* between service activities and also promoted a longer term planning perspective. The council's Integrated Plan has a ten year planning horizon and within this asset management has an explicit target for capital receipts delivery from property release. The Integrated Plan thus *encourages a strategic focus* at both a corporate and service level and this longer term approach of the council at large is reflected through into asset management which is holistic and well integrated with future corporate and service aspirations. The estates strategy which underpins asset management adopts a similar ten year planning horizon. Its basic purpose *is to question whether the portfolio contains the right properties in the right place and which are fit for service*. The estates strategy effectively is a *hit list of actions* required in the short and longer term.

Whilst a relatively new approach the Integrated Plan adopted by the Council has had the effect of stretching the planning horizons across the organisation and promoted a more coherent cross-service approach. This philosophy has been cascaded down into asset management which is itself a part of this integrated approach. It was recognised that the wider growth pressures in the Cambridgeshire sub-region in part provided a planning imperative to which the council had to respond and also that this provided a defined plan for asset management to respond to.

Interviewees felt that there was a strong commitment to asset management through senior officers at director level and through to the Chief Executive. This commitment was also reflected through members, with the portfolio holder for finance acting as a champion for asset management, and also supporting an ethos of encouraging a more a commercial approach to its assets. Such senior commitment it was argued, *was an important contributing factor* in the council securing Beacon Status in asset management.

Cambridgeshire County Council has demonstrated that effective leadership and support for asset management as well as a collective understanding of its purpose of benefits are important for it to be successful. Whilst asset management is quite well understood across the organisation, in the view of the Head of Estates and Strategy, this has come through a result of a *continuous process of explanation and engagement* across the organisation at all levels.

However the experience of Cambridgeshire County Council also suggests that sustaining this understanding of asset management is not easy. There is a need, in the view of the Head of Estates and Strategy, to *engage and educate on a continual basis*, particularly as an organisation like the council is continually refreshing itself as staff join and leave. Whilst recognising that this understanding is not perfect, Cambridgeshire felt that its continual effort to inform and engage staff about asset management has played an important part in sustaining the profile of asset management. This continual effort, interviewees argued, does bring rewards in that people having a greater willingness to embrace asset management.

So whilst in Cambridgeshire County Council asset management is well understood across the organisation; this understanding has only come through a widespread process of explanation and engagement across the council at all different levels of seniority. The council argue that *you have to work at such engagement* and that *they have done.* The clear impression through interviews, and in comparison with the other case study organisations, was that in Cambridgeshire this process of engagement was more thorough, systematic and undertaken with a significant degree of focus and effort. There was a strong view that asset management *is essentially about communication* and that as a function it is *not sufficient to sit in the office remote and isolated from the organisation.* Rather, the prevailing view was that you have to work at sustaining the understanding of and commitment to asset management on an on-going basis.

This approach to engagement could almost be characterised as a form of asset management evangelism as there was a marked dedication to engage, inform and educate on both a systematic and opportunistic basis.

The council recognised the difficulty of collecting and maintaining the data necessary to support effective asset management. Interviewees confirmed that it was difficult to collect all data required. In their view they have *not made an industry out of data collection* but rather concentrated on the key data elements that were critical. Whilst there was an understanding of what data was required, there was also a pragmatic focus of effort. This pragmatism was shown through the concentration on just fifteen key pieces of data for the sub-set of the portfolio where they feel they could make a difference. Some of these data items were also service specific rather than simply related to property.

This approach could be characterised as having a focus on high level strategic data which was summarised through interviews *as seeing the wood from the trees,* rather than been overwhelmed by data but not being able to use it. Even this tactical approach implied a certain level of instinctive knowledge of the portfolio to understand where to concentrate this effort.

The collective knowledge of the portfolio was also contained within people who had been with the council for a long time which was considered significant. As an illustration of this the Head of Estates and Strategy had been with the council for over thirty years and knows the individual properties which comprise the portfolio intimately. This experience of individual properties built up over along time allows for a quick, instinctive response to issues based on an understanding of the constraints and opportunities each individual property presents. In the view of some interviewees this type of knowledge was more important than the hard facts and figures on paper or raw data in IT systems. The asset management team had taken a deliberate approach to sustain and improve this collective knowledge. As an illustration of this the asset management group as a team used a mini-bus and visited every site the council owned over a period of a week. This allowed the team to gain a visual impression of each site and also to discus issues relevant to each.

There were also some contradictory views on information. On the one hand some interviewees felt it was broadly sound, whereas others identified some specific blind spots. These included an *IT system which was imposed upon them*, the difficulty of getting data out of this system and in particular the difficulty of joining-up data. There was a view that data is there but whenever *you want to use it, it is hard to get at it.* The over-riding impression was that

there was recognition that data collection and handling was an issue, and that it was easier to collect information than to join it up to provide knowledge. There was also recognition that there was *strength in having staff with long memories* as this in itself is a form of knowledge which can be easily lost as people leave the organisation.

In some ways within the authority there was less reliance on data with more use of knowledge derived from the accumulated experience held by people. This allied with a strategic concentration on a subset of asset management information, for a subset of the portfolio, allied with an accumulated individual and group knowledge provided an effective basis for decision making on assets individual and collectively.

The council was described by interviewees as being *radical, long term, strategic* and *bold*. This radicalism however, it was suggested, was backed up by a *hard headed commercialism* and pragmatism with a business like focus on new ideas and a questioning approach of *will it work and what it will deliver.* Even in advance of the recent organisational changes the prevailing culture of the organisation could be described as *commercial or entrepreneurial*. In the view of the interviewees, there was *always a need for a robust business case* to effect change or decision making. This was perhaps a more commercial, business like approach than traditionally found in local government, and the approach was even described in the view of one interviewee as *possibly ruthless.* The extreme form of this ruthlessness it was felt could have a potentially detrimental effect on asset management through the risk of losing skills as some staff may not to want to work in such an environment.

This cultural outlook extended to asset management where issues *are considered less from a purely property perspective* and more from a *business case justification* linked to a service perspective. Asset management as well as being service driven was seen as being *transformational*. Whilst asset management was recognised as having a technical element to it the council as a whole embraced its more *strategic dimension* and its capacity to effect significant change. In this regard *the council has no hang up over the nature of property ownership.* There was no fixed view that the council had to retain freehold ownership, rather there was a more entrepreneurial view taken on what was likely to meet the council's aspirations.

The council's appetite for change was in the view of all those interviewed supported by the close linkage in organisational terms between asset management and finance. Asset management being aligned to the finance function within the organisational structure was helpful as finance *exercised a significant degree of control across the organisation* and asset management could exploit this strength.

The overall prevailing view was that the culture of the organisation was *radical but robust,* and that the council was willing to embrace and implement innovation and bold changes, but only on a pragmatic basis where such changes coincided with the council's priorities, and as a result of a through business determination of the costs, benefits and implications. This type of wider organisational *business like* culture in Cambridgeshire was in contrast to all the other case study organisations of the extensive survey stage, with the exception of Croydon, which too shared a similar cultural environment.

7.4.4 Summary of Asset Management at Cambridgeshire

The growth pressures in Cambridgeshire provided a planning imperative to which the county council needed to respond. This response seemed well coordinated and with an appropriate long term perspective. This response had also been cascaded down into asset management policy with a discernable linkage between these long term growth pressures and the potential impact on the asset base.

There was a maturity within the council about both the purpose and nature of asset management. This maturity was probably simply a reflection of the fact that the council had adopted a strategic approach to managing its assets in advance of the more general policy directive to which other councils in the UK responded. As a result of being one of the first to embrace asset management then Cambridgeshire was seen to have embraced more of the elements of practice which underpin asset management, and there was perhaps a greater collective understanding of its nature and purpose.

There was a sense within Cambridgeshire County Council of a coincidence of strength in all four drivers identified as change factors through extensive survey stage. A defining characteristic of asset management at Cambridgeshire was the degree of focus which was demonstrated. This was evident in terms of the narrow range of data collected, the engagement with staff across the organisation and in targeting a subset of the portfolio. This focus seemed in contrast to the more dissipated effort of other case study organisations.

Whilst acknowledging that there were problems in several areas of asset management and that there was difficulty in sustaining interest in, and

commitment to it, there was also a pragmatic approach based on concentrating effort to where it could have most impact and adopting a business like approach. This commercial approach in asset management was a reflection of a wider commercial approach of the council at large and consistent with adoption of private sector disciplines, revealed through the literature reviews, as being a feature of asset management. Whilst there were concerns over the nature of this commercialism the prevailing view was, that it was not commercialism for its own sake, but directed towards achieving outcomes for the communities the council served. The business like approach could be described as an entrepreneurialism directed for a social purpose.

Although not explicitly revealed through interview there may be a longer term issue of resilience with the drive, knowledge and instinctive understanding of asset management invested in a key single individual. There was also a view expressed that the council had lost some of its coherence in asset management as a result of a recent re-organisation of the property function, which had seen the effective Head of Asset Management operating at a third rather, than second tier level in the organisational hierarchy, with a fragmentation of property activities to different departments of the organisation. At the time of the field work this change was relatively new and so it was not possible to confirm the influence of these organisational changes on the effectiveness of asset management.

7.5 Kazan City Administration

7.5.1 General Context

Kazan is a large, dynamic and culturally diverse city 800 kilometres to the south and east of Moscow. It is the capital city of the Republic of Tatarstan

and with over 1.1 million people is one of Russia's largest cities. It is a major industrial, commercial and cultural centre and is a natural focus of communications being at the confluence of the Volga and Kazanka rivers in central European Russia. It has experienced a period of rapid change and this has presented a challenge to the city of how to respond to growth pressures whilst retaining its historical character. The main legislative authority of the city is the Kazan City Council (Duma) with 50 elected deputies. Executive power is exercised by the Kazan City Administration which is divided into seven administrative districts. It is the City Administration which has responsibility to ensure that municipal infrastructure is managed effectively on behalf of the citizens it serves.

Since 1995 the city has benefited from several development grant programmes. These have included a Programme for Slum Clearance and Modernisation (1995 – 2004 worth $760 million), a Federal Programme for Preservation and Development of Kazan Historic Centre (2001 – 2005 worth $1.2 billion) and World Bank credit for infrastructure renewal. Despite these grants Kazan faces some key challenges. These include the reform of the communal housing system with further clearance of residual unfit housing, coping with the growth in traffic and the congestion it causes, protecting the city's historic environment whilst also attracting new businesses and improving the overall ecology of the city.

Although it has already benefited from significant infrastructure investment this has been continued through a recent World Bank loan of $125 million dollars to the Russian Federation which is was passed to the City through the form of a grant. Criteria related to this World Bank loan emphasised the need

for the City Administration to improve its asset management, and this it was anticipated had been a stimulus to the development asset management in the past, and was likely to continue be over the life time of the loan.

Kazan was an interesting case study organisation because asset management represented a significant challenge, particularly in connection with the World Bank loan of $125 million, granted in January 2005 for infrastructure development, in which it was defined as conditional imperative. In the programme document associated with this loan the World Bank (2005) identified that Kazan's subordination to the Republic of Tartarstan, until its granting of municipal status in September 2004, presented a fundamental constraint to the city's ability to develop and implement a strategic approach to asset management. This was because assets commonly referred to as municipal assets prior to September 2004 were in fact the property of the Republic of Tatarstan, with their management entrusted to the city government within certain limits. Despite the constraints on its autonomy and ultimate authority over assets that were inherently municipal, the World Bank (2005) identified that the city had achieved progress in various areas of municipal asset management.

Despite this progress the programme associated with the loan identified the need for

> *'developing a long term approach to municipal asset management that would help maximise the benefits has become clear in the early days of Kazan's newly acquired status of an autonomous municipality'*

The World Bank (2005) acknowledged that the City Administration had

responded to this by developing a programme to increase the 'Efficiency of Municipal Asset Management in Kazan' which was approved by the Kazan City Council on 30th September 2004. The programme proposed a range of actions

> *'to increase the positive impact of municipal assets on the social and economic life of the city'.*

These actions the World Bank (2005) identified as improvements to strengthen the market principles of asset management, defining legal operating procedures and the transformation of the existing City Administration's asset inventory into an advanced property database with analytical capacity, which was identified as a prerequisite for an effective asset management service.

This combination of external influence from the World Bank to improve asset management practice and internal drive form the City Administration, allied with increased freedom of approach following its newly acquired municipal status, makes its progress in asset management a valuable case study to examine in detail. This combination of factors suggests that Kazan was primed to make significant progress in asset management.

Despite several requests the City Administration were reluctant to provide any information to quantify their property portfolio. This inevitably restricted the scope of the work at this case study organisation.

7.5.2 Asset Management Rationale, Practice and Outcomes

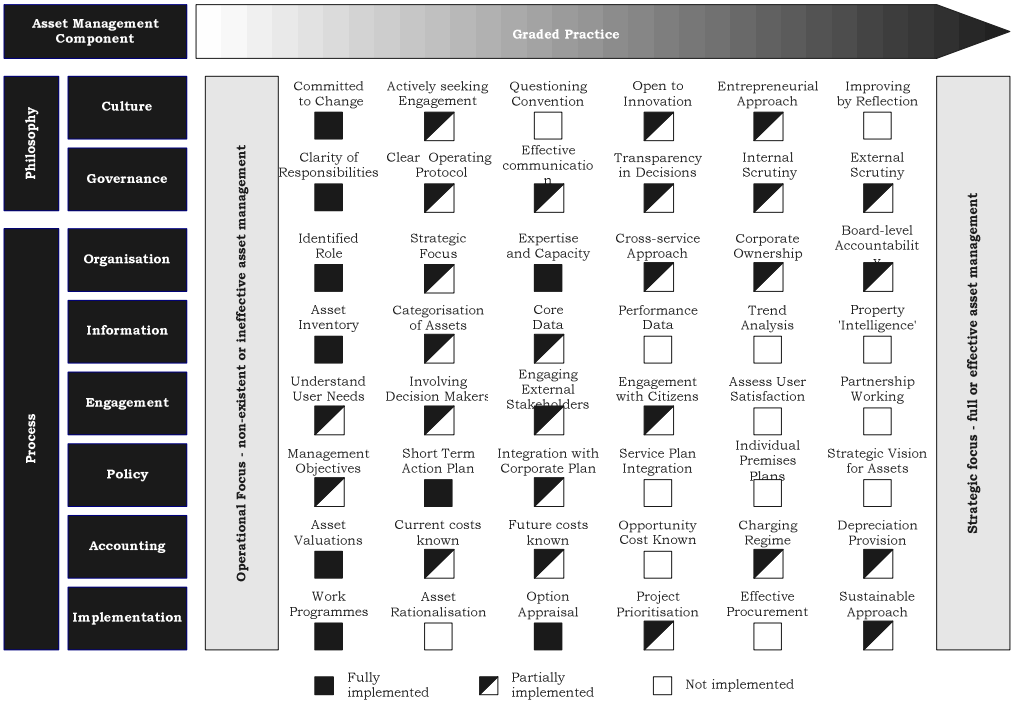
No single driver for implementing asset management in Kazan was identified. In broad terms the main drivers were assessed to be more internally based with financial imperatives, leadership and skills and capacity being similarly

influential in acting as a stimulus to its implementation. The single most important rationale for asset management identified through interviews was that of meeting statutory requirements. However it was not clear whether this was a misunderstanding arising from the nature of asset management as an activity. Whilst clearly the City Administration worked within the relevant legal framework at a federal, regional and municipal level it was not clear whether such laws required asset management as a distinctive form of strategic property management to be undertaken. Similarly it was felt that during the interviews there was a cultural imperative to demonstrate that the City Administration worked to meet its obligations, and thus some reluctance to promote others driver above this, as a rationale for asset management.

This reluctance to promote drivers other than legal requirements over others extended to the imperative to improve asset management associated with the World Bank loan and the criteria associated with the loan relating to municipal asset management. Whilst acknowledging the existence of this external advocating of asset management linked to the loan, all interviewees were emphatic that this was not an important driver for asset management in comparisons with others. It was felt therefore that the overall drivers for asset management were internally embraced rather than externally imposed and as such it was felt that this increased the likelihood of practices being sustained, which would not necessarily be the case in an environment where external drivers were more important, as these could more readily change or disappear over time. More detailed questioning revealed that probably the single over-riding influence on asset management implementation was the stimulus given through political leadership, in particular the Mayor.

With the exception of its apparent well developed organisational strength in asset management, Kazan demonstrated general weaknesses across all the components that comprise best practice. This is summarised in Figure 26 below which plots Kazan against the normative model of practice within the analytical framework. Perhaps Kazan's area of most significant weakness was in the area of policy where there seemed to be an absence of both a long term strategic vision for asset management and use, and a lack of integration with corporate and service planning processes. Despite its imperative to develop municipal asset management capacity associated with the World Bank loan, Kazan seemed to be at the formative stages in the evolution of asset management practice. Whilst Kazan was selected as a case study as an example of a Russian city likely to be at the forefront of asset management in comparison with the UK cases of the extensive survey phase it was similar to cases such as Kingston-upon-Hull, Birmingham, Waveney and Barking & Dagenham which lagged in terms of UK practice.

Figure 26 – Adoption of Asset Management Best Practice at Kazan



In common with all the Russian case study organisations Kazan had difficulty in providing the basic asset data from which to calculate the outcome measures developed as part of the analytical framework. During the intensive survey visit every effort was made to collect this base data but it was not forthcoming. The explanation for this seemed to be a mixture of unwillingness and inability to provide the data. The unwillingness related to a reluctance to provide estimates rather than verified accurate data, whilst the inability was due to lack of available data. The over-riding impression given through the survey visit was that the base data for the outcome measures was not readily available; although examination of data held on the asset inventory suggested it would be possible to calculate it. Reporting standards for accounts differed from those in the UK, and so even information such as asset values, were not readily available through published administration documents.

It was impossible therefore to examine the linkage between rationale, practice and outcomes fully in asset management at Kazan, and the absence of this base outcome data meant that the lessons that could be drawn from Kazan were limited. However, the inability to provide outcome data was considered a significant finding it its own right; both confirming the difficulty of measuring asset management outcomes and reinforcing the orthodoxy of the need to use conformity to best practice as an indicator for effective asset management.

7.5.3 Aspects of Asset Management Revealed

One striking observation revealed through field work was both the simplicity and conformity in the views expressed for the purpose of asset management. These coalesced around the dual objectives of maximising the financial benefit

from property and improving the well being of the citizens of Kazan. All interviewees responded directly and precisely about its purpose and with a degree of commonality which suggested that there was general awareness about the concept of asset management, and that it was well embedded and understood within the City Administration. The link between the improved welfare and prosperity of citizens that could be derived from more effective management of municipal assets was demonstrated in the interview responses to questions on the purpose of asset management such as *to bring in revenue and serve people;* or *to improve citizens living standards;* or *to make people comfortable in their own city;* amplified *to move easily, to be safe, to be warm, to be healthy***.** This understanding of asset management was not simply restricted to those working within the function, but seemed to be more widely shared across, and outside the organisation.

A commonly expressed view was for the need for the City Administration to own buildings in order to exert control. It was asserted that if buildings *were sold they would have no control over the owner which then may have a detrimental effect on use* and ultimately the city's fabric. Linked to this was the understanding that property assets were the City Administration's main capital asset with the dependence on income from municipal property being important for the city's revenue budget. There was, in the view of the Deputy Chairman of the Committee on Municipal Property, a need *to preserve the quantity of buildings and to make a financial profit* or, in the view of the General Manager for Economic Development, that asset management was *concerned with maximising the protection of citizen's interests through filing the income part of the budget.*

Earlier work undertaken comparing municipal property management in the UK and Russia by the researcher, Phelps (2004), identified that there is a different basis to local government finance in Russia and UK. Within Russia there is a greater dependency on income from municipal property in the form of tax on buildings and rental income to support municipal budgets. This assumption of the need to own buildings seemed to be a deeply enshrined philosophical view, despite the acknowledgement that in some case property assets were a potential liability and cost to the City Administration. This philosophy of 'presumption of ownership' runs contrary to the accepted orthodoxy of asset management which can be summarised as, if it creates value (income) then retain and preserve, and if it costs money then dispose.

Another common view to emerge, which maybe peculiar to Kazan with its recent municipal status and autonomy, as opposed to an historical subordination to the Republic of Tatartstan; were the problems caused by tension between the City Administration and the regional tier of government represented by the republic. There were arguments over the transfer of assets from the republic to the City Administration which was required by law to be completed by January 2008. Whilst in theory the law provided clear delineation of which assets were municipal to support defined municipal functions and which more specialised assets were required for regionally provided services, in practice this was subject to continuous debate and negotiation. Parallel with the process of dividing property were the processes of dividing associated financial resources with each tier of government attempting to protect its own financial interest. This protracted process of negotiation has meant that other property related initiatives which underpin asset management may have been constrained.

There was an apparent focus on privatisation of assets with a Deputy Chairman of the Municipal Property Management Committee having a specific organisational responsibility for the privatisation programme, which is endorsed annually by the City Administration. Whilst this programme was not large in terms of the number of municipal assets being disposed of it was of significant political importance and profile. The role of this team seemed to focus on compliance with procedural requirements and control of the process rather than maximising the number of assets to be privatised. There was in a sense a conflict between the conventional wisdom of asset management to challenge the need for assets against a propensity, revealed through the interviews, to retain property where possible. As in the processes associated with the distribution of assets between regional and municipal level, the focus on privatisation could be considered a short term distraction from asset management, but one which was a requirement given the prevailing status of reforms in Russia.

As with other intensive case studies the importance of leadership has been revealed in Kazan. The City Administration was recognised as having a good awareness of the purpose and benefits of asset management, a generally supportive culture and strong organisational capacity. However of all these facilitators to asset management, *leadership comes first,* was a common refrain through interviews. In the case of Kazan, this leadership was identified strongly as being the political and executive leadership provided by the Mayor. Leadership at this level provided the authority, drive and commitment through resources to enable things to happen. Asset management was identified as *a key achievement of the administration* and, by implication, of the Mayor. In the

view of some, whilst asset management was understood and supported at the highest levels within the administration, it was *not so well understood at the lower levels*. This lack of understanding was also linked with a poorly developed professional capacity within the administration which, it was acknowledged, could act as an inhibitor the development and implementation of asset management.

Whilst generally having a receptive and supportive culture for property asset management with a willingness to *embrace new ideas* and learn from others, there was also a perceived deficiency in terms of its overall commercial acumen, the willingness to take risks and to challenge its own processes. The lack of challenge, which is critical to asset management as the RICS (2007) have identified, is demonstrated in the City Administration's approach to service planning for each of its districts. These 'micro plans' for each district *are a matter of high priority for each department*. Whilst each department gives general advice to the general plan for the city, it is up to each service to determine what they need in terms of assets in each area with no external challenge process to test these requirements in terms of need or cost efficiency.

The awareness of the purpose of asset management and its links to the welfare and prosperity of its citizens was reflected in the City Administration's general approach for the city's infrastructure. There was an emphasis placed on enhancing the image and appearance of the city as *a beautiful city attracts investors*. Another priority was to *make the city green* by eliminating areas of pollution associated with heavy industry. In fact an expressed view was that *effective property asset management can be seen in the city's fabric*. This

explicit link, revealed through interviews, between asset management in the form of good building quality and wider economic prosperity was in some ways an element of an unarticulated strategic objective for the City Administration's approach to municipal property management. The idea of the city's physical fabric being the ultimate outcome of asset management was an instinctive view shared by many interviewees and was a simple demonstration of the extent to which the importance of municipal property assets was recognised.

Despite this awareness of the benefits of asset management, and the unarticulated strategic objective linking high quality buildings to economic prosperity, there was a lack of a clear strategic direction for asset management. With the exception of the privatisation programme there was an *absence of defined objectives,* actions or targets for different cases of property. Whilst there was a General Development Plan for the City, which provided *the broad framework within which asset management could work,* the asset implications of this General Development Plan were not defined. Similarly the integration of asset management with service planning was weak. For *each service there was a method to identify the quantity and location of service buildings based on norms* but no process to challenge this in order to optimise the portfolio or to provoke services to consider new ways of meeting their service aspirations. The City Administration did not appear to have a long term property strategy, or any similar document, which identified the broad long term direction and priorities for managing its property portfolio.

One common view expressed by interviewees, was that they *had put its assets in order,* and that they now had a comprehensive record of what assets they owned and used. This can be linked to the commentary provided in the World

Bank (2005) report on the loan and a need to create a property database with strong analytical capabilities. Whilst there was conformity of views that basic core data was held on all property assets, there was also conformity of views that the range of data did not extend to inclusion of performance data, such as running cost, utilisation and maintenance liabilities. In relation to the action implied by the World Bank report, it was observed that the City Administration had made partial progress in creating the asset inventory, but that that the City Administration was still falling short in its requirement for full portfolio knowledge on which to base its property decisions. As identified earlier, the difficulty which the city administration had in providing the base data for asset management outcomes implied that portfolio intelligence was lacking.

A striking feature presented in Kazan, and other Russian case studies, in contrast to the UK, was the proactive attempts to engage more directly with citizens on asset management matters. This was demonstrated in several ways, over and above what might be considered part of the normal democratic process of a municipality. In terms of privatisation, properties to be privatised were published in the newspapers and *within each micro-district all neighbours gathered to discuss property transactions.* There was similarly more direct engagement with the press with planned property transactions apparently subjected to considerable debate and scrutiny. Interviewees confirmed that by law, that there was an obligation for the city administration to inform the public that a building will be sold, at least one month in advance.

In contrast to the conventional wisdom implied through the literature review of a centralised corporate property function being the ideal for effective asset management, Kazan had a very disparate organisational focus for asset

management, with the range of functions normally associated with property management, distributed across several organisational units of the city administration. The organisational model for property management in Kazan was considered typical for municipalities in Russia, and included a separation of activities associated with buying, selling, leasing and rent collection, from others associated with design, construction and maintenance. Whilst some interviewees associated asset management with the Committee for Municipal Property others, saw it as the responsibility of the Economic Development Committee, and yet others as a general responsibility for all departments. This apparent confusion for overall responsibility for asset management could in part be seen as possible confusion about the term and its role.

Many interviewees drew attention to problems that an ancient city like Kazan poses in terms of major infrastructural renewal. Whilst these observation related to a wider set of assets, such as road, rail and utility assets as well as municipal property, the constraints its historic status imposed were similar. These included the additional costs associated with making changes to assets because of their historic nature, the inability in some cases to do anything with existing properties as whilst they were not suitable for many uses they were also of significance historically or architecturally and the need for sensitive planning. Whilst such circumstances are not uncommon there may be a sense that more entrepreneurial and commercial aspects associated with asset management many not be so easily realised in a city where there is a predominance of older, historic buildings.

A legacy from the Soviet era was identified as a problematic issue. Whilst raised as an issue specifically related to housing, the observations were also

applied more generally to all buildings. This was that in the Soviet era people did not need to make provision for the repairs to buildings as they expected the state to provide for these. This was a legacy *from Soviet thinking which still persists*. As private or municipal property did not exist, all property belonged to the state, and as such belonged to no one. In such a situation there was a tendency for building assets to deteriorate and *this legacy has been carried forward,* despite the recent reforms.

7.5.4 Summary of Asset Management at Kazan

Asset management in Kazan it was readily acknowledged was in its infancy and, despite the progress made, because of this immaturity it was not easy to assess its overall contribution to the welfare of the city. The distortion caused by a short-term privatisation processes associated with the transition of the wider national economy of Russia to embrace market reforms, needed perhaps to be considered as a distinctive and special stage in the evolution of asset management. Inevitably, the short term capacity requirements to implement privatisation, have distorted what may be the more natural longer terms focus of managing property assets. This special phase of privatisation of property assets was common across Russia and therefore suggests that a longer elapsed time is required in order to judge the impact of asset management properly. In the view of the Director General for City Development Programmes after this special stage of privatisation it may be necessary to wait at least five years before assessing asset management progress.

Similarly, Kazan was going through a short term transient phase related to the allocation of assets between the Republic of Tatarstan, as the regional tier of government, and the City Administration. Whilst in theory the prevailing

legislation made such matters of allocation relatively straight forward, in practice interviewees from both the regional government and city administration said that the process was far from straight forward, and was a source of some tension between the city administration and the regional government. The underlying source of this tension was that each tier wanted to either retain or gain the as many assets as they could. Like the process associated with privatisation of property, so the process for allocating assets between the tiers of public administration acted as a short term distortion to asset management processes.

Whilst there seemed to be an instinctive and intuitive understanding of asset management embedded within the Kazan City Administration and revealed through a common view of its ultimate purpose and benefits, there was also a relative weakness in the four change factors identified as necessary to support the transition of asset management from property management. There was a lack of a long term strategic direction for asset management with no explicitly defined management objectives. Although the Mayor provided strong leadership for asset management, it was felt that this did not extend to full organisational commitment. Similarly, whilst there was an established asset inventory, the full range of data required to underpin effective decision making on assets seemed lacking. Finally, whilst there was a sense of the City Administration being progressive and outward looking, there was not a readily apparent commercial approach to its property assets.

7.6 Conclusions from the Intensive and Longitudinal Survey

The three case study organisations represented a diversity of situations with respect to asset management. Kingston-upon-Hull was a poorly performing

authority where asset management was belatedly receiving attention as part of its response to external intervention to address its performance. Cambridgeshire was a highly regarded council which had embraced asset management in advance of UK policy direction. Kazan was an organisation where asset management was a conditional imperative as part of a major infrastructure loan.

The strength of the four key change factors for asset management was explored at each of the three intensive case study organisations and the importance of each of these reconfirmed. All case study organisations acknowledged the need for these factors to be present and were able to articulate their own organisation's position relative to these factors.

Leadership was identified as the most important factor, with the presence or absence of strong leadership a key determinant of both the profile and success of asset management. Cambridgeshire had demonstrated the most sustained length of leadership; whereas new leadership within Kingston was seen to be driving asset management forward as part of wider council reforms. Leadership in Kazan was also recognised as an important stimulus to asset management.

The need for a strategic vision was recognised by all three case study organisations, but in each case this was not considered as important as the other three change factors. Cambridgeshire were perhaps furthest advance in embracing a long term strategic perspective over the asset base, but even this felt inadequate and provided at best, in their own view, a poor framework for overall decision making on assets

Information was recognised as important in all organisations and each organisation also recognised the difficulty in collecting and maintaining it. Cambridgeshire demonstrated a pragmatic approach to the need for data focussing attention on where they could make a difference. Kingston had made significant progress over an elapsed period of time to address their information deficiency as they recognised this as an important priority for asset management. Kazan struggled to provide basic information, although they too had made progress in establishing a unified asset inventory, as part of an action plan to improve the effectiveness of the asset data.

There was a different and distinctive cultural environment in each organisation. Whilst Cambridgeshire demonstrated a pragmatic business-like, even commercial attitude to its asset base; Kingston adopted a more protective, stewardship role, although it was attempting to change this approach and Kazan prized asset ownership and retention and also adopted a process orientated approach, with procedural compliance being an important factor. The cultural environment at each of the three case study organisations was symptomatic of the wider cultural environment of the council at large.

SECTION 5

ANALYSIS, DISCUSSION AND CONCLUSIONS

CHAPTER 8

Contribution to an Understanding of Asset Management

8.1 Introduction to Analysis and Discussion

The field work from the case study stage identified three issues of interest. These were the definition, scope and nature of asset management; the nature of the influences on the development of asset management, described through this thesis as change factors; and the notion of a typology to classify and describe approaches to asset management. These issues, and their implication for the wider discussion on asset management and its development, are discussed through chapters eight, nine and ten. Chapter eight concentrates on putting the research study findings into the debate on the development of asset management. Chapter nine focuses on the contribution this thesis has made to the wider understanding of asset management and points to further lines of research. Chapter ten provides a brief conclusion to the research, drawing together the emerging findings into a concise explanation of what the research has revealed against the initial hypotheses of Chapter one.

8.2 The Definition, Scope and Nature of Asset Management

The literature review of chapters 2 and 3 highlighted the problematic nature of defining asset management. This has been re-confirmed through the field work at the case study organisations. The terms property management and asset management were often used interchangeably. This can be explained in part as a natural consequence of the embryonic nature of the discipline; but it also has implications for its future development as the ambiguity and uncertainty in it scope and nature may act as a constraint to its adoption.

Chapter 3 of the literature review explored this issue of defining asset management in some depth. The field work has reinforced the findings revealed through the literature review that asset management is difficult to define precisely. This was evidenced through the case study interviews in the use of the term, in the organisational structures of the case study organisations and through direct questioning over the meaning of the term. This research has not been able to resolve these definitional issues but has, through the concept of a broad typology for asset management, implied that there may be an alternative approach to viewing asset management. This is the notion that there is not necessarily a single model of asset management but that there may be different approaches adopted by different organisations; each of which may be valid in terms of their own development path in asset management and consistent with the priorities and culture of their own individual organisations. In this sense asset management may appear different in different settings and thus remain problematic at this stage to define in a single, simple way.

This was illustrated through the broad typology for asset management, which whilst not a fully refined model, demonstrated that for the case study organisations there were different approaches to embracing asset management. Although different, each approach may have a strong rationale applicable to individual organisations. As an embryonic discipline it may be that asset management will continue to exist with a degree of ambiguity, or even contradiction, in its definition until it has fully matured as an activity. The broad typology used through the research placed property management and asset management at the opposite end of a single continuum, with property management focussing on operational matters related to individual

buildings, with asset management focussing on strategic matters related to the whole portfolio of buildings. This concept of property management and asset management as being different facets of a single overarching activity has not been adequately explored through the current literature.

8.3 The Change Factors for Asset Management

From the evidence of the case studies; systems, processes and organisational arrangements for asset management differ in particular organisations and in different countries. Despite these differing settings, this research suggests that there are key elements that are common for the organisations that appear to have been more successful in embracing asset management. In this thesis the term 'change factors' has been used for this, rather than 'critical success factors', as this seems more consistent with the transitional and transformational nature of asset management as a new discipline evolving from an existing discipline of property management. The change factors identified through this research can be described as strategic focus, organisational will, portfolio intelligence and entrepreneurial culture. In short hand these can be termed as vision, commitment, intelligence and culture.

Strategic focus is about both the vision; a long term aspiration, and the realisation and delivery of such aspirations. It is more than simply bold ambitions, but rather a practical approach which allows the visions to be realised. The case study work revealed that this long term perspective was often missing, with only a few case study organisations able to reference their work with property assets to any written, explicit long term strategy. In most case study organisation there was a focus on short term actions and a one year planning horizon, more consistent with the operational requirements of

property management, than the strategic considerations associated with asset management. It was recognised that there is an inevitable tendency to align property planning horizons to other council planning cycles, such as budget setting, which tend to be annually. There is also an inherent difficulty in that the strategic planning horizons for asset management can be for periods much longer than normal political cycles which may make the development and acceptance of asset management strategies difficult.

Whilst most case studies were able to present a written property management plan, in most cases these were restricted to immediate one year actions rather than anything with a longer term perspective. Few case studies were able to confirm that they had defined and agreed longer term management objectives or targets for the management of their property portfolios. Whilst best practice guidance has suggested that this is a requirement for asset management, the evidence from the case study organisations, is that this has been a problematic area to address. The reason for this is hard to determine and could be related to a number of factors, such as the lack of appropriate strategic planning skills, the absence of practical examples to act as exemplars for others to follow or a lack of conviction about their need and value. There may also be the practical consideration that important longer term strategic planning may be squeezed by the more immediate short term operational needs. Several interviewees recognised this as a tension within their own councils. As the discipline of asset management matures it will interesting to see the form that such strategic plans take and this may be an area where greater practitioner guidance is required.

'Organisation will' has been identified through this research study as an

important agent for transformation. It is a collective term which embraces several elements. These include a 'champion' to promote asset management concepts and their benefits, senior high level support and commitment, someone who is able to secure resources and ensure proper engagement on behalf of the organisation at large and internal skills and capacity to implement asset management. The asset management champion and senior leader could be the same individual, as in the case of Kingston-upon-Hull, or different. However, the case study work has revealed that organisation will includes something over and above leadership, which is perhaps best expressed as a shared understanding of asset management in terms of its purpose, anticipated benefits and intended beneficiaries and the collective organisational commitment to change.

Organisational will is thus about the overall commitment of an organisation to embrace and support asset management. This research has revealed that this has several dimensions to it. There is the drive provided by a single individual, as a champion for the activity, the skills and capacity of the professional team charged with the associated day to day activities of making it happen, and the collective understanding of the organisation of the purpose of asset management so that is development is facilitated and supported rather than hindered. These collective attributes were most readily demonstrated at Cambridgeshire County Council; but also present in others such as Ashford, Croydon & Essex in the UK and most noticeably in Kazan and Perm in Russia. In contrast this was missing in others such as Barking and Dagenham, Kingston-upon-Hull and Waveney in the UK and in Tver in Russia.

The drive given by senior members and officers was identified in the literature

review as being of importance and this has been confirmed through the case studies. Commentators such as Mason (2006) and best practice guidance issued by DETR (2000), RICS (2004 and 2008), and others all identify the need for strong political and officer champion. The coincidence of both senior political and officer commitment represents perhaps an ideal, but the case study research suggests that the single most important individual may be the Chief executive in the UK, and the near equivalent 'Head of Administration', or mayor, in Russia.

The importance of the Chief Executive was perhaps most noticeably revealed through those cases, such as Kingston-upon-Hull and Waveney, which were perceived to be lagging in asset management. In the case of Kingston-upon-Hull, a new Chief Executive appointed to drive improvement across the council, seemed to be acting as catalyst for change providing a strong stimulus to the increasing profile of asset management and direction to ensure things happened. Similarly in Waveney, a new Chief Executive saw asset management as an integral part of an overall strategy to improve the council. Whilst Kingston-upon-Hull and Waveney could be seen as being on the cusp of a change driven by the Chief executive, of which asset management was a key element, others, such as Barking & Dagenham, there seemed no aspiration for change and therefore asset management remained a low priority. These differences were accentuated by the fact that in all cases the internal capacity seemed similar in terms of their understanding of, and expertise in asset management. The Chief executive as a single individual thus made a significant difference.

Whilst the case studies have reaffirmed the importance of leadership, it has

also pointed to a wider need for a kind of collective commitment. It was seen through the case studies to be important at a collective level within an organisation to have a shared and common understanding of the nature and purpose of asset management. This was perhaps most evident in Kazan, where there was a consistent focus on the citizens as the ultimate beneficiaries of asset management. It was also evident, but to a lesser degree, in Cambridgeshire County Council, although it was acknowledged that promoting and sustaining this common view required a continuing level of engagement and education across the authority.

It was also recognised through the case studies that it was important within the organisational unit responsible for asset management to have the appropriate capacity, in terms of professional and management skills, to undertake asset management. Many interviewees identified this as specific constraint to their own council's development. There was however, a certain degree of uncertainty of what skills were required over and above traditional technical skills. The coincidence of views identified experience of strategic and business planning as a prerequisite. This lack of expertise was particularly relevant to case study organisations in Russia, where professional and practitioner association for asset management did not exist.

The coincidence of all these three levels of commitment; senior management to secure resources and engagement, the professional skills to drive asset management forward on a day to day basis and the supportive environment provided by a shared organisational view of asset management, perhaps represents the optimum position. This position was most noticeably evident in Cambridgeshire County Council, although they also acknowledged that

sustaining the common understanding of asset management was in itself an on-going activity. With the absence of the senior management commitment, evidence from the research suggests that progress is much harder, and this was exemplified by case studies, such as Waveney and Barking & Dagenham in the UK, as well as by Tver in Russia.

The literature review, and in particular, the published best practice for asset management, has identified that information is an important requirement for asset management. Best practice identifies that information on individual buildings and the portfolio as a whole is necessary for effective decision making and tends to be prescriptive about what type of information is required. This importance of information has also been confirmed through interviews at case study organisations. The implications from these interviews was, that although the case study organisations struggled to collect the required data, all felt that having current, accurate and complete data was important for asset management. The degree of importance the practitioners interviewed ascribed to information was in contrast to that revealed through the review of best practice and critical success factors for asset management. For example, whilst important, information was not considered by Mason (2006) as one of the critical success factors for asset management.

This study has identified it as one of the four key change factors for asset management although has broadened the term from one of information to 'portfolio intelligence' This is in part because the interviews at case studies revealed the importance of the application of information and of the instinctive understanding of portfolio buildings held as knowledge in people's head. Whilst many case study organisations were aware of data needs and had

robust data collection systems, fewer were using this information in a challenging way to effect change. There was a sense of some case studies being data rich but knowledge poor; but a few, notably Croydon and Cambridgeshire, had real portfolio intelligence. Cambridgeshire's approach of concentrating data collection effort on a narrow subset of the portfolio where they felt there was a difference to be made, rather than all buildings, was illustrative of this intelligence.

The final change factor in the transformation from property to asset management identified through the case studies was the operating culture of the organisation. In this respect organisations which had a more entrepreneurial approach, and which embraced innovation and change, seemed to have progressed more than those which were more conservative and change resistant in their outlook. Council's like Essex, Croydon and Cambridgeshire adopted essentially a pragmatic, business like approach to their decision-making around property and also exhibited a willingness to use property as a catalyst for wider organisational reform or to meet social objectives for their areas. This was in contrast to organisations, like Barking & Dagenham and Kingston-upon-Hull, where there seemed a reluctance to view property in commercial terms. In the view of the Chief Executive at Kingston-upon-Hull this lack of commercialism in their dealings had left the city council with a bloated portfolio which was in excess of the council's need.

The contrasting approaches could be characterised as either a philosophy which prizes asset ownership and views property almost as a physical manifestation of the council in the community and which adopts a 'paternal stewardship' role to its assets; or one which treats its property as a factor of

production which can be exploited to meet organisational objectives, and where ownership is a business choice, rather than an end in itself, which can be characterised as a 'public entrepreneurialism' approach. This difference in approach was succinctly summarised by one interviewee at Kazan, who described the difference between property management and asset management in simple and direct terms

> *'Property Management is about buying, maintaining and selling buildings whereas asset management is about profit'*

These two contrasting approaches were found within the case study organisations of the UK and also between the UK and Russia; with the evidence from the case studies suggesting that the UK, in general, was more willing to use assets in a non-traditional way or forsake their ownership completely, whereas in Russia there was still very much a prevailing culture of asset ownership irrespective of its merits.

There was a difficulty in identifying or measuring the elements that contributed to this entrepreneurial culture which was so supportive to asset management. This is yet a further area for examination but there was a distinctive feel in those organisations which were further advanced. They had a sense of a collective organisational culture which was prepared to take some risks, to consider radical alternative solutions, to lead as well as follow; but also a robust business like approach attuned to their wider council objectives and priorities. This linkage between council and community objectives through to asset management has been identified in several of the best practice guidance such as RICS, (2008c), Audit Commission (2000 & 2005) as the 'golden thread' of asset management. This study has confirmed that this

concept of the golden thread has some validity, but one which can be recognised as much in cultural terms as in process terms about which it has been related to through the best practice guidance.

There is an implied sequence in the four change factors identified through this study as being important to the development of asset management. There has been no thorough examination on whether these four change factors need to work together, and whether there is a degree of dependency between them as a requirement for asset management. The simple observation from the survey stage was that organisations most advanced in asset management also had greater strength across all these dimensions, rather than strength in just a single or couple of the dimensions. These four key change factors are ones which require a shared or organisational approach rather than simply the focus provided by a single individual. In viewing the factors across a simple spectrum of personal, group or institutional influences it can be seen that they all require a more collective approach at a shared group level or at the whole organisation level rather than at an individual level to have the most impact. How this more collective approach to asset management is engendered is a key factor to be considered for those responsible for developing asset management.

8.4 Different Approaches to Asset Management

The notion of different types of approaches to asset management, other than in terms of maturity in the adoption of practice, has not been evident in the current literature on asset management. This research study has used a simple typology to classify the case study organisations visited according to their approach to asset management. Whilst the typology advanced was only developed in embryonic form it provided a mechanism to structure thinking

about the development path for asset management. Assuming that asset management represents a new, emerging discipline, which is distinctive from property management from which it originated; then it is appropriate to question whether there are alternative evolutionary paths that organisations follow in their development. The concept of an asset management typology as an area for further research is discussed briefly in Chapter 9.

8.5 Findings Reflected in Wider Debate on Asset Management

The analysis of the case study organisations suggests that external compulsion through the national policy and the resource environment set by central government is a necessary impetus to 'kick start' asset management. This was the case in the UK, but in contrast, this national policy direction is not apparent in Russia. Thereafter asset management requires internal commitment allied with appropriate skills and capacity to develop and embed the discipline within an organisation. These elements, of both external compulsion and internal commitment, seem important ones and the assumption to be explored is whether both are required over the longer term to support asset management.

Some observations through this study have suggested that in the UK some councils undertake asset management because it is necessary to be seen to be doing the right things, rather than from a conviction of its benefits and value. Similarly in Russia, there was a view of only doing what was legally required, and certain bewilderment about why they would do anything on a purely discretionary basis. This attitude, along with the lack of any strong central policy drive to embrace asset management, may explain Russia lagging the UK in asset management practice and also supports the contention of Kaganova

(2003) examined through the literature review that the top down policy driven asset management, such as in the UK, is further advanced than the externally advocated type of asset management which characterises Russia's approach.

Differences in the maturity of asset management and approaches to it may also be a reflection of the wider institutional context in which it has originated. In the UK the reform of public services and the adoption of private sector practices underpinning New Public Management has progressed more than in Russia which is still in the infancy of its reforms towards a democratic, market oriented economy. The concept of asset management is therefore more alien to the fledgling local government institutions in Russia and of less importance as they struggle to adapt to recently mandated structure, functions and funding.

As a consequence of the legacy of the Soviet era it maybe that there is more potential for asset management as a discipline in Russia than in the UK. With a limited tradition of private ownership, a retain if possible attitude to property, the transfer of federal and regional properties to municipalities and a limited challenge to their retention, many municipalities may arguably have bloated property portfolios. Whilst they may currently have poorly developed institutional and professional capacity at a municipal level, as this matures so the asset management activity may have a considerable asset base to work with and exploit. This may be in contrast to the UK, where with smaller portfolios as a result of a longer term down-sizing and asset sweating, there could be diminishing returns associated with asset management. If such trends lead to largely asset free councils or councils with a very minimal asset base there may be a point at which commercial efficiency means asset management becomes unnecessary.

As CLG (2008) identifies different organisations have different challenges and therefore a 'one size fits all' approach in asset management may not be appropriate. This conceptual challenge has not yet been realised with best practice guidance, especially in the UK, tending to a particular view of how to do asset management. The broad typology revealed through this research points to an alternative view, which is that there may be different paths in the development of asset management. Different organisations may adopt different approaches which are valid in terms of their own local circumstances, priorities or at a specific point in time.

Lindqvist and Lind (undated) argue that the promotion of active strategic management of property assets has raised a number of issues. These, they have argued, are applicable in both the public and private sector and include questions over whether organisations should own their own premises or rent them and how should the management of property be organised. Both of these questions focus on market-orientation and in Lindqvist and Lind's (undated) view on the term accountability, which they describe as the amount of resources used. None of the case study organisations have yet questioned whether they need to own property but many 'buy in' part of their property management services.

Kingston-upon-Hull have embraced the concept of a more market-orientated asset management service through their plans to create a joint venture company to provide asset management activities to the council and the wider public sector. As asset management matures as a discipline and local government adopts the trends prevalent in the private sector there may be an increasing range of councils who are prepared to consider, and act on, the two

questions posed by Lindqvist and Lind (undated). This may be a trend to observe as asset management develops.

A barrier to effective asset management the Audit Commission (2000) argued was political parochialism and opposition to change. As the public values buildings as a physical representation of services politicians can be unwilling to change their use or close them down. This was illustrated through several of the case study organisations, most noticeably Barking and Dagenham and Kingston-upon-Hull, where the view of property being a physical manifestation of the council and a link with the community was recognised and readily acknowledged through interview.

Kingston-upon-Hull was also an example of this, with strong political resistance to change only being overcome with the intervention and the threat of the council being put into special measures. Interestingly, in Kingston-upon-Hull one response to accepting the need to change was the replacement of the senior officer management team. The new Chief Executive provided a greater degree of leadership and commitment to asset management, although the case study also suggested that other factors that comprise organisational will, such as a shared understating of asset management across the organisation, or a commitment to change, may have been lacking or at best only partially present.

Whilst many commentators point to the need for strong leadership to support asset management, an important line of enquiry for further research and debate may be to establish how far and quickly progress can be made through the force of leadership alone without other contributing elements. The

evidence from the case study at Kingston-upon-Hull seemed to suggest that property matters can not be easily divorced from politics and that traditional resistance to change seemed to be acting as a constraint to the development of asset management, albeit that there was an ambition to promote it in other areas of the council.

As Fernholz & Fernholz (2006) suggest effective asset management needs to be linked with overall development plans for a municipality. This implies support of top leadership of the municipality is important as well as the integration of asset management with corporate and service planning. This has not been well demonstrated through any of the case study organisations of either the extensive or intensive survey stages. Possibly the nearest organisation to approach this ideal was Cambridgeshire, although they acknowledged that the level of integration still needs to be improved.

As the literature review has revealed asset management can in part be seen as one strand of new public management reforms. The introduction of such private sector practices into the public sector presents in the view Andersen & Lawrie (2002) some challenges. These are the need for long term policy consistency and issues of accountability. Asset management as a long term discipline may not always be seen as being consistent with the shorter term political cycles which characterise local government. Similarly, the models of accountably in municipal government tend to be more complex, with a range of stakeholders exercising influence over political decisions. The intensive case study organisations have illustrated these challenges with asset management in Kingston-upon-Hull being held back being due to unresolved political views; whilst in Cambridgeshire County Council asset management had been able to

become embedded because of a more consistent, shared view of issues. The notion of organisation will as a change factor reflects the need for these linked challenges to be resolved in order for asset management to flourish.

As Hazel Harding the Leader of Lancashire County Council remarked in the opening address to the COPROP Annual conference in 2008

> *The impact of the management of council assets, such as its buildings on the expectations and well being of our communities in the delivery of services can not be underestimated.*

This sentiment is reflected in the Audit Commission (2008) approach to the Comprehensive Area Assessment (CAA). The CAA looks at how good it is to live in a particular area and as such asset management lies at the core of the assessment. Many people use council property almost everyday, and buildings make a difference to local communities and they can enhance or restrict community cohesion, community safety, community vibrancy and community prosperity. This focus on area assessment is likely in the UK context to increase the relative importance of asset management within local government as it becomes more central to the external inspection regime.

Chapter 1 emphasised that this thesis was concentrated on property asset management rather than the wider filed of infrastructure management of which it can be considered to form a part. The differences between infrastructure asset management with its concentration on 'networks' and the 'buildings' focus of property asset management was also alluded to in Chapter 1 with speculation whether the inherent characteristics of each asset type might lead to a convergence or divergence in the development paths of the respective discipline.

The Institute of Asset Management's PAS55 standard for asset management and its Management Competency Framework are potential de facto standards for this wider field of asset management but have not yet been universally adopted. This thesis has pointed to the possibility that in the field of property asset management, at least, there may be different 'types' of asset management and possible different paths in terms of the maturity and development of asset management, dependant on an organisation's own priorities and capacity. There may be a potential fallacy in the notion of a single de facto standard of asset management as implied by the IAM framework which is similar to the orthodoxy of good practice leading to good outcomes explored through this thesis. A general conclusion which can be drawn from this study which is perhaps applicable to both infrastructure and property asset management is that there may be a richness and diversity of approaches to asset management which may be equally valid and that this is an area worthy of further research.

8.6 Amplification of Findings to Wider Field of Public Administration

There is an apparent contradiction between the New Public Management (NPM) focus from which asset management originated and asset management itself. Whereas NPM has tended to place emphasis on issues such as performance measurement and outcomes, rather than simply process, with asset management it has been difficult to define and measure outcomes and there has as a consequence been a reliance on the adherence to practice as a proxy indicator of effective asset management. As Burns (2003) suggests the empirical evidence to demonstrate the most effective way of undertaking asset management is lacking. This thesis has explored the link between practice and outcomes and found that this is not readily apparent; or at best inconclusive.

Best practice in the context of asset management, the literature review revealed, has been driven predominantly by central government policy; with a presumption that its objective is for an improvement in service delivery and outcomes. Newman et al (2000) point to a virtuous cycle of best practice in which innovation is identified and then disseminated by central government leading to widespread improvement. The concepts of best practice and innovation are, Brannan et al (2006) write, closely inter-related concepts which are often treated as synonymous. Newman et al (2000) have attempted to differentiate them conceptually as '*Innovation suggests the invention of something new; best practice the adoption of something tried and tested*'. Brannan et al (2006) similarly identify the two terms as conceptually distinct, locating the adoption of best practice within the wider field of innovation, but stressing that best practice is one way of innovating out of many.

As Burns et al (2000) argue key questions for public administration concern whether best value is being received from public funds, how service delivery can be improved without raising costs or costs can be cut without affecting services. They argue that best practice is one tool to help organisations respond to these questions. Quoting the US General Accounting Office (1995) they define best practice as '*...processes, practices, and systems identified in public and private organisations... performed exceptionally well and... widely recognised as improving an organisation's performance and efficiency in specific areas*'

The UK cases of the extensive survey have demonstrated that knowledge of best practice in asset management is widespread. However, there has been

some difficulty in adopting best practice in part because of specific factors at each individual organisation. These factors at the extensive case study organisations have included lack of leadership and weak organisational commitment, inadequate level of resources and inappropriate experience and capacity. Whilst all organisations understood the theory, some felt that practice was more difficult to achieve and some, also felt that there was a need to be seen to be doing it rather than with real belief in its value. This confirms the findings of Brannan et al (2006) that the adoption of nationally articulated best practice is sometimes constrained by specific institutional contexts at a local level.

There is a potential dilemma for asset management as a discipline. The literature review implied that it is of a strategic, generic nature and needs to be closely aligned with wider organisational business planning processes. This has also been confirmed through the case studies with council's striving to integrate their asset management activity with wider financial and strategic planning processes. This strategic focus of asset management may require different skills from the professional, technical activities of property management from which it originated. The function could relatively easily be placed within a corporate policy or strategic management unit and be undertaken by non-property professionals with appropriate professional support. This may leave the property practitioner body, which currently dominates the activity, to retreat back to their professional and technical disciplines. An alternative scenario maybe that only a relatively few of those with a professional, technical property training will be able to blend these with the additional strategic planning skills, leaving a vacuum for others to fill.

An interesting question revealed through the research is what acts as a stimulus to the adoption of new activities and the diffusion of practice. The literature review revealed that national policy direction on a 'top down basis' was an important stimulus to asset management; particularly in those countries, like the UK, which were perceived to be leaders in the field. The UK case study organisations revealed that this was an important factor but with many types of council having to be seen to be doing what was required, whilst not necessarily believing in it. In contrast, municipalities in Russia have not been subject to the same national policy drive to adopt asset management and thus their uptake was weaker. However, whilst such an initial stimulus may provide a 'kick-start', it is unclear whether this will be sufficient to sustain it in the long term. The importance of internal conviction of the benefits of doing asset management allied with appropriate skills and capacity it is thought will be required over the longer term or asset management may run the risk of becoming marginalised, as something that has to be done, rather than should be done.

Interviews with UK practitioners through the research revealed that there was a widespread awareness of asset management best practice and that mechanisms such as professional and practitioner associations contributed to this sharing of practice. This seemed to be in contrast to Russia where such practitioners associations were poorly developed or non existent. However, the notion of best practice was also in part revealed to be an issue with some feeling the concept itself was constraining, as it acted to stifle innovation. With the lack of linkage between practice and outcomes implied through the literature review, and confirmed by the field work, then the very idea of best

practice may be a constraint to the development of asset management and that what may be required in its formative stages is a diversity of practice and innovation to more appropriately explore alternative asset management approaches.

In terms of the wider debate on asset management this thesis has made some relevant original contributions to an improved understanding of this emerging discipline. It has added to the growing volume of literature on asset management and in doing so responded to a deficiency revealed through the literature review of a lack of international comparative studies in asset management. It has presented a range of analytical models, within a single overall conceptual framework, to measure why organisations do asset management, how they do it and what achieve. It has promoted the idea of a typology of asset management with which to describe alternatives approaches to asset management or stages in its evolution. Finally the thesis has identified a number of key 'change factors' which are characteristic of organisations which have progressed furthest from operationally focussed property management to strategically focussed asset management. These original contributions are discussed more fully in the following chapter.

CHAPTER 9

Research Implications

9.1 Relevance and Contribution of the Research

It is anticipated that the research will make a contribution to a fuller understanding of asset management within local government in five main areas.

Firstly, it will contribute to, and add to, the limited, but growing, volume of literature on asset management in local government. It will complement this existing body of literature by presenting an alternative practitioner insight into asset management, based on the understanding gained through practical case studies at a range of councils in both the UK and Russia. It has covered some areas of asset management which to date have not yet been adequately covered by the existing literature. This, for example, includes a critical review of existing best practice guidance, an alternative conceptual framework with which to explore asset management, the development of a broad typology to describe approaches to asset management and some international comparative work looking at countries with different perceived levels of maturity. The international comparison, in particular responds to a deficiency in this area highlighted through the literature review.

Secondly, it will provide an alternative analytical framework with which to understand asset management. The framework was well received by practitioners during the case study stage and was acknowledged by them as a practical aid to structuring their thinking around asset management. The

elements which make up the framework can be used individually or in combination as a metric to understand and position a council's status and stage of development in asset management. This framework developed from an extensive review of existing guidance, practitioners and expert interviews provided a simple device for analysing why organisations do asset management, for positioning an organisation against a normative model of world-wide best practice and for measuring outcomes achieved from asset management. Whilst capable of further refinement as discussed below, it is, this research has demonstrated, even in its current form, capable of being used to identifying organisational strengths and weaknesses and providing a structured framework for developing asset management.

Thirdly, it has also helped to provide a greater, if not conclusive, understanding of the relationship between why councils do asset management, how they do it and what they achieve which has been a primary focus of the research. This relationship is important to understanding why some organisations are successful at asset management. The link between practice and outcomes has been exposed as a problematic one to define and this research has at least in part questioned the implicit assumption in much of the existing literature and guidance to date, that adoption of good asset management practice leads to good outcomes. This orthodoxy needs to be more rigorously challenged to clarify the dependant relationship between these two elements. Alternatively, as discussed below, more research is required to define effective indicators which can be used to measure the effectiveness of asset management.

Fourthly, the research has revealed a number of critical change factors which

characterise organisations which seemed to be at a more advanced stage of transformation from property management to asset management. This has confirmed some of the findings of the literature review which also emphasised that some commentators considered that there were a few critical influencing factors in the implementation of asset management. The four change factors presented through this research, whilst similar to those identified by others, have a subtle distinction. Whilst labelled in short-hand as vision, commitment, intelligence and culture in each case the individual change factors are themselves a blend of influences. So, for example, commitment is more than a simple factor of leadership. It includes leadership, but it also includes a shared understanding of the purpose and benefits of asset management with a commitment to change. Understanding these key change factors which underpin asset management can in itself act as a further stimulus to its development as a distinctive discipline.

Finally, this thesis has helped to identify and frame further avenues of research in order to aid more fully an understanding of the nature of asset management. These potential areas for further research are discussed in the following section.

9.2 Areas for further Research

As an embryonic and developing discipline asset management offers wide scope for further research. This thesis has identified several specific avenues for further enquiry. These focus around the need for a conceptual framework to describe asset management, practical outcome measures, developing a typology with which to describe different organisational approaches to asset management, understanding the different development paths to asset

management, defining the necessary skills and competencies for asset management, exploring and reconciling differing perspectives to create a composite definition of asset management, the type of organisational culture required to support asset management, the convergence of private and public sector asset management and exploring the optimum organisational size for effective asset management.

The literature revealed an issue identified by some commentators that asset management had evolved in the absence of a clear conceptual framework within which to place its development and with which to guide its implementation. Gibson's (1999) approach of using a range of definitions from differing perspectives to describe it provided the basis for the analytical framework developed to examine the primary questions at the heart of this research thesis. This analytical framework provided a useful embryonic conceptual tool to direct the research and was well received by practitioners during the field survey stage. It is felt that this is capable of further development as a practitioner tool.

This research has indicated that it is problematic to measure asset management outcomes; even where the outcome measures require relatively basic data to be provided. This has confirmed the position revealed through the literature review of the adoption of practice being a proxy for measuring good asset management outcomes. This is not a satisfactory or robust approach because it is based on an unproven assumption that adopting such practice inevitably leads to good asset management and improved outcomes. Further research is required to isolate and define a set of practical outcome measures which can be adopted as effective measures for asset management.

Along side this definitional work it would be important to promote the widespread adoption of such measures in order to facilitate organisational comparisons and to monitor long term trends. The literature review identified that asset management is essentially a discipline with a long term nature and so measures may need to be tracked over periods of in excess of ten years to reveal discernable changes.

This research adopted the concept of 'net citizen equity' in municipal property as a simple single measure of asset management outcome. This was adapted from Peterson's (2006) concept of 'citizen equity' which he equated to 'shareholder equity' in the private sector. Peterson's view is that the net asset on a public sector balance sheet could be linked to this notion of municipal citizen equity and that a municipality with a fit for purpose building stock, but with a minimum of debt or liability, is creating wealth on behalf of its citizens; whereas a municipality with deteriorating assets is diminishing public wealth. This research did not explore whether Peterson's concept is a valid long term measure of outcome but did demonstrate the difficulty in getting basic outcome data. Given this problematic nature of defining outcomes and the potential simplicity of this single measure advocated by Peterson; along with the likely availability of long term trend data through published sources like statement of accounts this may be an area worthy of further research. Such research could explore whether this was indeed a valid and consistent long term outcome measure for asset management or whether it could be refined in order to be such.

Chapters five and six presented a simple typology for asset management through which to describe and position the development of asset management

for the case study organisations from the extensive survey. It is felt that there is potential to refine and amplify this approach as a way of deriving a better understanding of how organisations are responding to the influences to embrace asset management. Similarly, alternative approaches could be explored which reflect the wider organisational environment in which asset management needs to develop. Whilst such typologies have their limitations they can provide a classification device within which to isolate and explore specific influences on asset management; and thus act as an overall aid to understanding the discipline.

The direction of travel towards the 'public entrepreneurialism' type of discipline as the ultimate objective for asset management might also be an area for further research. This research has illustrated that organisations develop their approach to asset management in different ways. Some may concentrate on improving operational efficiency as a precursor to a more strategic approach; others may attempt to make an ambitious step change in their approach; and yet others may make incremental changes to improve in both the short and long terms aspects of managing property. The rationale and influences on these paths of development may reveal something of interest of the nature of asset management, which may be related to the size and nature of the organisations themselves.

As identified in the literature review and amplified through the field work there is a sense of asset management emerging as a distinctive professional discipline. Although as Deakin (1999) and Howarth (2002) suggests asset management is not yet a profession in its own right it is not unreasonable to see it ultimately being recognised as such. The technical skills and

management competencies required for such a profession, and how these differ from more traditional property management, is worthy of further investigation. The distinction between this and more general management competencies needs to be understood as does the need to understand whether a core professional or technical discipline is a preferred perquisite for an effective asset manager.

Similarly the differing perspectives of asset management as seen by the professionals that shape its development may be worthy of investigation. Of particular relevance to this area of exploration may be the financial / accounting perspective of asset management, which the literature review has suggested, has been the dominant perspective in the emergence of asset management in contrast to the practitioner perspective, which is shaped by the property and related technical disciplines which have taken on the responsibility for asset management in practice. Understanding the commonality and differences in these perspectives, how these influence the priorities in the development of practice and how differing views are reconciled may help to gain a fuller understanding of the discipline. If the perspective of the client or user or property is added to this examination it will prove a range of views about what constitutes or should constitute asset management, and of its scope and purpose.

As revealed in the literature review and confirmed through the case studies asset management in part represents a change in culture and attitude to property. However as Ashworth (2000) suggests change takes time, and the prevailing culture of local government which seems to prize property asset ownership and control may only be eased over time. Whilst the culture of

property asset ownership is strong still in both the UK and Russia there are some signs through the case study organisations of councils in the UK of changing attitudes to asset ownership in order to exploit its value for social and community benefits. This form of public entrepreneurialism, best exemplified in practice by Croydon and Cambridgeshire, and also sought as an ambition in Kingston-upon-Hull and Birmingham, is consistent with the more advanced forms of asset management described by commentators and of the broad typology of asset management presented through this research.

The implication is that the change of culture associated with the development of asset management will continue and may need to increase. Indeed as Ashworth (2000) suggests the full realisation of the potential of asset management may require a radical change in culture and this may require a greater acceptance of the risks associated with this in terms of property transactions in order to secure the greater benefits associated with the commercialisation of assets.

The further development of asset management with the change of culture it advocates to one of a more 'commercial' view of municipal property may lead to some significant challenges to local government. The implication of this increasing 'commercialisation' may lead, as Ashworth (2000) has suggested, to the need for the acceptance of a degree of risk of failure where money will be lost or where perceived benefits do not materialise. The extent to which the prevailing environment (legislative and financial framework, organisational culture and the representative democratic basis) will support such entrepreneurialism and risk taking is an issue worthy of further research. The continued development of asset management may also present, as Aswhorth

(2000) suggests, a change to the prevailing culture in local government which currently prizes asset ownership and control. The extent to which the nature of asset ownership is changing may be an indicator of progressive councils and the extent to which this changing nature of asset ownership is related to asset management outcomes may also be a further avenue of research.

The literature review implied that the distinctions between private and public sector property management are diminishing. This is acknowledged in the management of municipal property where the emergence of asset management in the public sector was identified as a reflection of the earlier emergence of corporate real estate management (CREM) in the private sector. This merging of a private sector approach to assets but with a public sector ethos, termed public entrepreneurialism in this research, may require changes in a range of areas. The extent to which previously divergent approaches between the private and public sector can in practice converge may be an interesting line of enquiry.

The issue of an optimum size for effective asset management was raised through the extensive survey stage. The issues was raised by interviewees as being one of their own organisation being too big for asset management to work effectively, or too small to be of real importance. This is itself poses the question is there a middle band of size at which asset management is more easily adopted and at which it is more effective. This echoes a theme explored by Nieboer and Gruis (2004) in the social housing sector. They argued that size was an important intervening factor in the development of asset management pointing to a rationalisation in the number of social landlords required by market disciplines in order to improve organisational

professionalism. This line of enquiry was outside the scope of this research but is felt worthy of some detailed investigation, particularly as a range of data to describe and stratify organisations by size is readily available.

There are still clearly some conceptual challenges for asset management to overcome as it matures as a discipline. One of these has been exemplified through this research and particularly in the field work stage. This is the issue of identifying and defining clear outcome measures for asset management. There is a propensity to measure things that are easiest to measure, such as conformity to recommended practice, rather than what needs to be measured and linking activities to these outcomes. This was a challenge recognised by Burns (2003).

In a similar vein there is a tendency, as Burns (2003) suggests, in focusing on what we do rather than on the outcomes for end users. For example, as Burns (2003) suggests, there is a propensity to concentrate on measuring current condition and processes rather than managing the future. This was revealed in part through the case study work when client expectations were revealed as a very low influencing factor on the development of asset management

The nature and importance of organisational models to support asset management was not explicitly revealed through either the extensive or intensive survey stages. However the best practice guidance summarised in the literature review implied an optimum model based on a strong centralised and corporate function. Whilst the relevance of such an organisational model was not explored through this research it is felt that the relationship between organisational models for managing municipal property and the effectiveness

of asset management is an area for further research; in particular is there a specific organisational model which is optimally suited for asset management.

Whilst this research has had a specific focus of examination, namely the linkage between rational, practice and outcomes in asset management it was set in a wider context. The research has contributed to a wider understanding of asset managements and its development path and identified avenues for detailed examination through further research.

CHAPTER 10

Conclusions

10.1 Asset Management as an Emerging Discipline

In its Asset Management Guidelines for Senior Decision makers the RICS (2008) state:

> *'That in every part of the public sector, improved asset management is not just to be encouraged, it is a government expectation.'*

This echoes the comment of Cox (2007) that asset management has moved closer to the forefront of the local government reform agenda. Whilst written for UK consumption, the statement can be applied against a rising trend worldwide, and acknowledges the fact that asset management is now an important requirement for local government. It is both a reflection of the importance now accorded to asset management as an activity and an indicator that it is still in its formative stages. The RICS (2008) also state the new local government policy framework in the UK as expressed through the White Paper on Strong and Prosperous Communities, the Local Government and Involvement in Health Act and the Comprehensive Area Assessments points to the need for effective asset management to underpin it.

The literature review of Chapters 2 and 3 revealed the embryonic nature of asset management as discipline and discussed some ambiguities and definitional issues around its purpose, scope and nature. It argued that asset management could in part be seen as an evolution of and transformation from property management. The nature of this evolution, it was argued, is one which has placed increased emphasis on the strategic rather than operational aspects of property and one which emphasises the nature of property as a

productive asset with latent value, rather than something which is perceived simply as a free good and subject to paternal stewardship. Despite progress in the maturity of the discipline there is, as many commentators have argued, still much work to be done and asset management does not yet, in the view of Cox (2007), sit easily with key decision makers or significantly exert influence over organisational priorities.

This thesis has sought to examine the nature of this emerging discipline through an examination of the linkage between rationale, practice and outcomes through a comparative study of the UK and Russia which are perceived to be at different stages in the maturity of asset management. The principal research questions were explored through an extensive survey research of several case studies and an intensive survey of a few case studies.

Whilst a discernable, but relatively weak link was observed between rational and practice, the link between practice and outcomes was not established. The link between practice and outcomes was difficult to examine, in part because of the lack of available data available for the defined outcome measures. This reinforces the orthodoxy, revealed through the literature review, that the adoption of practice is used as a proxy for measuring outcomes. This remains a problematic area for asset management and one which requires a further focus of research. Correlation however is not necessarily causality, and further work is also required to explore the nature of these relationships in order to improve understanding of asset management.

As commentators like Burns (2002) have argued there is limited empirical evidence to demonstrate adherence to practice leads to improved outcomes.

The measurement of outcomes is problematic because the differing perspectives of property complicates measurement and because, as Burns (2002) writes, it is dependant on organisational context and priorities and as assets are 'bundled' with other resources, such as staff, tends to have only an indirect impact on outcomes. Chapter 9 has argued for the need for further research into this area and pointed to some lines of enquiry which may have potential for further examination.

Asset management is not currently a profession in its own right but, as Howarth (2002) suggests, it is not unreasonable to see it ultimately being recognised as a professional discipline encompassing as it does a range of management competencies as well as technical skills. This issue of a lack of an easy way to measure outcomes remains problematic for the development of asset management as a professional discipline and may undermine both its acceptance and development. In developing as a professional discipline Greenwood, Landers and Martins (2008) also argue that asset management may still struggle even if the right legislative drivers are in place because there is both domestically and internationally a lack of people with the necessary skills; particularly so in smaller municipalities. Greenwood, Landers and Martins (2008) argued that New Zealand has recognised and responded to this challenge with a major training initiative. They argue a similar step change may be required elsewhere to underpin the development of asset management.

Whilst not explored as a theme through this research study the literature review acknowledged streams of developments in asset management related to infrastructure assets, such as utilities, road and rail networks, which have happened in parallel to those in municipal property asset management. The

linkages, potential areas of commonality and sharing of practice across these different models of asset management have only been poorly developed, if at all. Whilst there are some practical issues around a unified approach to this infrastructure asset management, at least in the UK context because of issues of ownership and responsibility, to the ultimate consumer of infrastructure, the citizens, such a common approach may be an important factor in improving the quality of life in the communities in which they live.

Four critical change factors to support the development of asset management were identified through the case studies. These were characterised as strategic focus, organisational will, portfolio intelligence and entrepreneurial culture. There was an implied sequence in these change factors and the sense that the coincidence of all four factors was necessary for asset management to flourish. These four factors in part confirmed the views of Mason (2006), revealed through the literature review, that there were a few critical success factors for asset management. Understanding the nature of these four change factors; their relative importance, levels of dependency and what elements contribute to them is an area worthy of further research.

The presence or strength of these change agents at an organisation was used as a mechanism to develop a broad typology to position an organisation's approach to asset management. This could be considered as a model to describe different approaches to asset management or as a metric to position an organisation's stage of development between property management and asset management. Whilst it was acknowledged that this typology was an embryonic one it was suggested that this could provide the basis for further research and also implied that there may be valid alternative approaches to

asset management.

The analysis of the case study organisations through extensive and intensive surveys have identified a coincidence of factors which are present in organisations, such as Cambridgeshire and Croydon, which are perceived to be at the forefront of asset management policy and practice. These include: strategic intent; that is a longer term vision plus drive and commitment; a unified, whole organisation approach which is capable of resolving conflicting corporate and service objectives; an adequate information base to support informed decision making; organisational skills and capacity and the measurement of performance over time. Similarly, where property is represented at the highest decision making group and it is integrated into overall resource planning and strategic decision making then asset management practices seem more embedded within the organisation.

10.2 Findings against the Original Hypotheses

The research has confirmed the perceived differences in maturity between developed countries and transition countries through the comparative work on the UK and Russia. The over-riding conclusion was that asset management in the UK was further advanced as a discipline in the UK than in Russia. This seemed to be because of a strong UK central government 'top-down' policy drive with the momentum sustained by active engagement by practitioner and professional associations. In contrast, in Russia there seemed to be a lack of such an institutional drive and inertia to embrace things that were not required, coupled with a poorly developed practitioner capacity. Despite these differences in broad context and whilst Russia seemed to lag the UK the evidence from the extensive case studies suggested that the practice gap

between the two was not large.

The fundamental question posed at the outset of this research of the correlation between rationale, practice and outcomes has only been in part resolved. The hypothesis which framed the research was that ***the reason why councils do asset management determines how they do it and what they achieve***. Whilst this research has pointed to a discernable link between these factors, this has not been conclusive. In particular, a link between practice and outcomes has not been established. For practitioners this provides a dilemma at the heart of the discipline which they are trying to promote and embrace. Whilst encouraged through national policy in the UK, and increasingly across the world to adopt a range of best practice for asset management, an explicit and strong link between this advocated practice and effective asset management outcomes has not been demonstrated.

Whilst this is problematic to establish due to property's long gestation period further work is required to establish this link or to define a range of outcome measures which practitioners can use as a basis to measure the effectiveness of asset management. Without such a clearly established link or outcome measures there is a risk that the discipline of asset management will remain largely a marginal activity in local government in much the same way that property management from which it emerged was also considered.

SECTION 6

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Appendix 1

Practitioners & Experts Interviewed for Analytical Framework

UK Practitioners

Corporate Property Officer; Ashford Borough Council

Principal Valuer; Bournemouth Borough Council

Head of Strategy/Estates; Cambridgeshire County Council

Asset Development Surveyor; Carlisle City Council

Head of Property Strategy; Cheshire County Council

Head of Asset Management; Cornwall County Council

Head of Property Management; Essex County Council

Asset Management Officer; Hertfordshire County Council

Head of Asset Management; Leeds City Council

Asset Manager; Rotherham Metropolitan Borough Council

Asset Manager; Telford & Wrekin Borough Council

UK National 'Experts'

Head of Asset Management. Institute of Public Finance and the Chartered Institute of Public Finance & Accountancy

Consultant; Public Sector Consultancy Group, King Sturge

Director of York Consulting, Responsible for undertaking a research project into asset management in local government on behalf of ODPM / DCLG

Former Assistant Director of Property at Westminster City Council; Performance Specialist at Audit Commission and Independent Consultant

Russian 'Experts'

Chairman of Bridge of Hope an NGO working in the Moscow Region which has undertaken DFID funded project into municipal property management

Director of Property Management, Dzerginsky Town Administration with experience as a practitioner in the field of municipal property management

Real Estate Consultant at Institute for Urban Economics

Director of the National Institute for Economic Development with previous experience on projects related to municipal organisation and capacity

Appendix 2

Prompts Used in Interviews with Practitioners & Experts

Understanding of Asset Management

- What do you understand by the term asset management?
- Can you provide a simple definition (in your own words)?
- What is the purpose of asset management?
- How is it different from property management?
  - Difference in aims of asset management and property management?
- How is different from estates management / facilities management?
- Is it about philosophy or process? – Which is most important?
- What descriptive words can you use to typify asset management?
- What are its main benefits / outcomes?

Components of Asset Management and Key Practice

- What is necessary for asset management?
- What are the most important components of asset management?
  - Which is the most important component and why?
- For each identified component
  - Can you give examples of practice the typify asset management?
  - Which activities must happen / are the most important?
  - How do you know you are doing it (well)?

Check against components identified in 'first pass' model

- What is good / poor practice for each component?
- With existing UK 'best practice' in mind are there any omissions?

Critical Success Factors and barriers to Implementation

- What are the critical success factors for asset management?
- What do you consider are barriers / facilitators to asset management?
- What (if any) are the significant organisational issues?
- What (if any) are the significant cultural issues?
- What (if any) are the legal issues?

Variations to Standard Prompts used with Russian experts

- What other terms are used in context of managing municipal property?
- Assuming property management is the accepted term in Russia - What is the scope of the term property management?
- With the framework available test understanding of key terminology and concepts - test each of the terms for components in turn

Appendix 3

People Interviewed at Extensive Case Study Organisations

Property Officer; Ashford Borough Council

Head of Property; London Borough of Barking & Dagenham

Head of Asset Management Group; Kingston-upon-Hull City Council

Property Strategy Manager; Birmingham City Council

Principal Service Manager; Waveney District Council

Assistant Asset Manager; Devon County Council

Business Manager – Asset Management Service; Portsmouth City Council

Head of Asset Transformation & Development; London Borough of Croydon

Head of Estates, Cambridgeshire County Council

Corporate Asset Manager; North East Lincolnshire District Council

Corporate Asset Manager; Sheffield City Council

Head of Property Management, Essex County Council

Director of Municipal Property and Land Resources; Tver City Administration

Head of Municipal Property Department; City Administration of Perm

Deputy Chair of Committee of Municipal Property Management; Kazan City Administration

Vice President of Municipal Property Management Committee; Penza City Administration

Chairman of Municipal Property; Sergey Posad

Chairman of Committee on Municipal Property; Zhukovsy City Administration

Appendix 4

People Interviewed at Intensive Case Study Organisations

Kingston-upon-Hull

Leader of the Council
Head of Shared Support Services
Interim Head of Property
Chief Executive
Deputy Chief Executive (Strategic Core Services)
Head of Regional Development
Head of Cultural, Leisure & Sports Services
Head of IT Support
Head of Asset Management Group
Schools Development Manager
Chair of One Hull & Chair of Local Strategic Partnership

Cambridgeshire

Head of Strategy & Estates
Strategic Projects Officer
Director 4Ps (Former Head of Property and Procurement at Cambridgeshire County Council)
Project Manager, Property Division
Chief Financial Planning Officer

Kazan

Deputy Chair, Committee Municipal Property Management
Director, Directorate Non-Budget Development Programs
Deputy Chair, Committee Municipal Property Management
Chairman, Development Company 'Osnova Group Ltd'
Director, Development Company 'Osnova Group Ltd'
Deputy Mayor, Chairman Committee Municipal Property
General Manager, Committee of Economic Development
Legal Adviser to Committee on Culture
Deputy Chair, Committee Municipal Property Management
Assistant Manager, Committee for Economic Development
Assistant Minister Land & Property, Republic of Tartarstan

Appendix 5 – Extensive Survey Case Study Organisations

Council		Population	Perceived Status of Municipality	Asset Management		
				Rationale	Practice	Outcomes
Under 125,000 population						
Zhukovsky	Russia	101,300	Status as a scientific town and progressive reformer	F	19.0	N/A
Ashford	UK	110,000	Good CPA score (asset management beacon status)	F	29.5	31.0
Waveney	UK	114,700	Weak CPA score	S	19.0	34.0
Sergey Posad	Russia	115,000	Perceived as lagging in administrative reform	S	15.5	N/A
125,000 to 250,000 population						
North East Lincolnshire	UK	157,500	Not improving adequately – 0 star council	F	25.0	31.0
Barking & Dagenham	UK	164,500	Improving adequately – 2 star council	I	17.0	N/A
Portsmouth	UK	189,600	Improving adequately – 3 star council	S	30.5	35.0
250,000 to 500,000 population						
Kingston-upon-Hull	UK	249,300	Improving adequately – 1 star council	F	19.0	32.0
Croydon	UK	340,200	Improving well – 3 star council	F	36.0	39.0
Tver	Russia	408,900	Perceived as an administration lagging in reforms	S	16.5	N/A
500,000 to 750,000 population						
Penza	Russia	518,000	Perceived as an administration lagging in reform	F	19.0	N/A
Sheffield	UK	520,700	Improving well – 4 star (Council of the year 2006)	S	24.0	N/A
Cambridgeshire	UK	588.900	Improving well – 3 star	L	37.0	30.0
Devon	UK	731,000	Improving well – 4 start council	F	23.0	N/A
Over 750,000 population						
Perm	Russia	990,200	Progressive administration at forefront of reforms	S	23.0	N/A
Birmingham	UK	1,001,200	Improving well – 2 star council	L	20.0	31.0
Kazan	Russia	1,105,200	Progressive administration in receipt of reform grant	S	22.0	N/A
Essex	UK	1,340,000	Improving well – 4 star council	F	30.5	30.0

Key:

S Statutory Requirements E Externally Advocated F Financial Imperatives C Client Expectations L Leadership I Internal Skills

Appendix 6 - Extensive Case Study (Practice Scores)

Case Study Organisation	Culture	Philosophy Governance		Organisation	Information	Engagement	Process Policy	Accounting	Implem't'tion		Total
Within the UK											
Ashford	3.0	3.0	**6.0**	5.5	4.5	3.5	2.5	3.0	4.5	**23.5**	**29.5**
Barking & Dagenham	0.0	3.5	**3.5**	4.0	1.5	2.0	1.5	1.5	3.0	**13.5**	**17.0**
Birmingham	1.5	2.0	**3.5**	3.0	2.0	2.5	3.0	2.0	4.0	**16.5**	**20.0**
Cambridgeshire	5.0	5.0	**10.0**	6.0	4.5	4.5	5.5	2.0	4.5	**27.0**	**37.0**
Croydon	5.0	4.0	**9.0**	5.0	4.0	4.5	4.5	4.0	5.0	**27.0**	**36.0**
Devon	2.0	3.5	**5.5**	2.5	3.0	2.5	2.5	3.0	4.0	**17.5**	**23.0**
Essex	3.5	5.0	**8.5**	4.5	3.0	2.5	4.5	2.0	5.5	**22.0**	**30.5**
Kingston-upon-Hull	1.5	2.5	**4.0**	2.0	2.5	2.5	2.5	2.0	3.5	**15.0**	**19.0**
N. E. Lincs	2.0	3.5	**5.5**	3.0	4.0	2.5	4.5	3.0	2.5	**20.0**	**25.0**
Portsmouth	4.0	4.5	**8.5**	5.0	3.0	3.0	4.5	3.0	3.5	**22.0**	**30.5**
Sheffield	4.5	3.5	**8.0**	3.0	2.5	3.0	1.5	2.0	4.0	**16.0**	**24.0**
Waveney	2.0	3.5	**5.5**	4.0	1.5	2.0	2.0	1.0	3.0	**13.5**	**19.0**
Within Russia											
Kazan	2.5	3.5	**6.0**	4.0	2.0	2.0	2.0	3.0	3.0	**16.0**	**22.0**
Penza	2.0	4.0	**6.0**	3.0	2.0	2.5	2.5	1.0	2.0	**13.0**	**19.0**
Perm	3.0	3.5	**6.5**	3.5	2.0	3.0	2.5	2.0	3.5	**16.5**	**23.0**
Sergey Posad	1.5	3.0	**4.5**	3.0	1.0	2.0	2.0	1.5	1.5	**11.0**	**15.5**
Tver	1.5	4.0	**5.5**	3.0	1.5	2.5	1.5	1.0	1.5	**11.0**	**16.5**
Zhukovsky	1.5	3.5	**5.0**	4.5	1.5	2.0	2.5	1.5	2.0	**14.0**	**19.0**

Appendix 7 - Extensive Case Study (Base Data)

Council	Base Council & Portfolio Data							
	Population[1]	Net Spend[2]	Asset value[2]	Floospace[3]	Running Cost[4]	Backlog[3]	Income[3]	Surplus[5]
Ashford	110,000	£21.5M	£39.4M	0.051mM^2	£0.25M	£1.4M	£0.2M	£0.2M
Barking & Dagenham	164,500	£299.9M	£379.6M		£6.5M	£24.8M	£2.5M	£19.4M
Birmingham	1,001,200	£1,487.1M	£2,004.7M	1.550mM^2	£11.08M	£385.7M	£20.0M	£2.8M
Cambridgeshire	588,900	£509.9M	£650.8M	0.667mM^2	£4.29M	£56.5M	£4.4M	£6.8M
Croydon	340,700	£458.2M	£914.4M	0.860mM^2	£4.5M	£27.2M	£2.6M	£6.8M
Devon	731,000	£906.0M	£961.2M		£4.47M	£106.0M		£2.9M
Essex	1,340,000	£1,299.8M	£1,734.8M	1.163mM^2	£8.49M	£157.4M	£1.0M	£18.8M
Kingston Upon Hull	249,300	£342.5M	£658.2M	0.385mM^2	£3.65M	£29.7M	£5.5M	£23.5M
N. E Lincs	157,500	£184.6M	£284.8M	0.410mM^2	£2.53M	£73.5M	£1.73M	£0.3M
Portsmouth	189,600	£230.1M	£494.6M	0.698mM^2	£4.00M	£41.7M	£8.35M	£0.5M
Sheffield	520,700	£630.9M	£717.6M			£49.6M	£1.75M	£16.5M
Waveney	114,700	£23.7M	£36.5M	0.135mM^2	£0.55M	£0.5M	£2.3M	£0.4M
Kazan	1,105,200	8,275M rbl						
Perm	990,200							
Penza	518,000		27036M rbl	12,491M^2				
Sergey Posad	115,000							
Tver	408,900							
Zhukovsky	101,300	1,168M rbl				30.0 M rbl	30.6 M rbl	

Notes: 1 Extracted from Mid 2005 population estimates
2 Extracted from 2004-05 Statement of Accounts
3 Extracted from Corporate Asset Management Plan or provided subsequent to interview
4 Energy and water costs from Asset Management Plans used as a proxy for total running costs
5 Capital receipts from disposals extracted from Statement of Accounts used as a proxy for value of surplus property

Appendix 8 - Extensive Case Study (Outcome Measures)

Council	Outcome Measures (Composite)								
	Citizen equity (property)	Running cost as % of net spend	Backlog as a % of net spend	Asset value as % of net spend	Income as % of net spend	Space per head of population	Surplus space as % of portfolio	Fitness for purpose	User satisfaction
Ashford	178%	1.16%	6.5%	183%	0.93%	0.46	0.51%	4.0	3.0
Barking & Dagenham	118%	2.20%	8.3%	126%	0.83%	N/A	0.02%	N/A	N/A
Birmingham	127%	0.75%	26.0%	135%	1.34%	1.55	0.14%	3.0	3.0
Cambridgeshire	117%	0.84%	11.1%	128%	0.86%	1.13	1.04%	3.0	3.0
Croydon	194%	0.34%	5.9%	200%	0.57%	1.64	0.74%	5.0	4.0
Devon	94%	0.49%	11.7%	106%	N/A	N/A	0.30%	4.0	4.0
Essex	121%	0.65%	12.1%	133%	0.08%	0.87	1.08%	4.0	3.0
Kingston-upon-Hull	184%	1.07%	8.7%	192%	1.61%	1.54	3.57%	4.0	3.0
North East Lincolnshire	115%	1.37%	39.8%	154%	0.94%	2.60	0.11%	4.0	3.0
Portsmouth	197%	1.74%	18.1%	215%	3.59%	3.68	0.12%	3.0	3.0
Sheffield	106%	N/A	7.9%	114%	0.28%	N/A	2.30%	3.0	4.0
Waveney	152%	2.32%	2.1%	154%	9.70%	1.18	1.10%	4.0	4.0
Kazan									
Penza									
Perm									
Sergey Posad									
Tver								5.0	
Zhukovsy			2.6%	2.6%				2.0	