



ASSET VALUATION AND ASSET MANAGEMENT

ISO:55000 Asset Management

For entities that hold large and highly material asset portfolios (such as local governments, education, health, roads and other authorities) the need to develop a robust asset management framework has never been as critical as it is today.

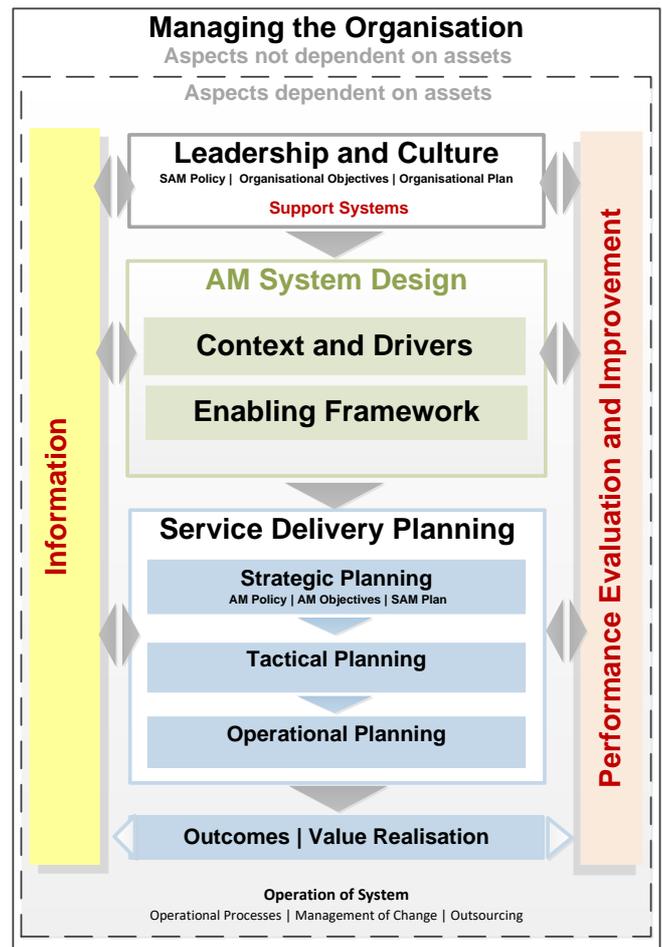
While many have invested years of work and significant resources into the development of improved asset management capability for most entities there is still a long journey ahead. One of the reasons for the slowing of progress with asset management capability can be traced back to the key elements of ISO:55000 Asset Management.

In the haste to 'get runs on the board' many have embarked on key asset management tasks such as developing strategic asset management plans (SAMP) and policies, undertaking lifecycle cost analysis and developing, via templates, asset management plans (AMP).

ISO:55000 Asset Management however highlights that Asset Management is much broader than the development of asset management plans and lifecycle models and that the finance professionals play a key role in all aspects of asset management.

The ISO:55000 updated version of the Strategic Asset Management Framework: Public Sector developed collaboratively between the key peak bodies involved in the asset management of Australian public sector assets and represented in the following conceptual diagram highlights –

- For local governments – the SAMF is effectively the local government's 'Corporate Governance Framework'
- There are a range of key elements and the development of Asset Management Plans and technical aspects are only one part of the overall framework.
- Most critical to success in the development of leadership and culture followed by design of the asset management system
- Each element requires extensive input or application of finance professional knowledge and skills. This includes service delivery planning, information and support systems and performance evaluation and continual improvement.



A key learning from the development and implementation of a strong SAMF: Public Sector is that Finance professionals provide critical inputs to each and every element of the SAMF / Corporate Governance Framework.



Development of a sound framework takes time and cannot be delivered simply by operational staff populating 'templates'. It requires real cultural change and development of a culture focussed on improvement and a willingness to be innovative rather than continual rebuffing of change or new ideas.

Likewise, there is a critical need for information to be accurate, meaningful and consistent and for that information to be made available to others across the organisation to assist them with relevant decisions.

Asset Valuer Pro and Asset Management

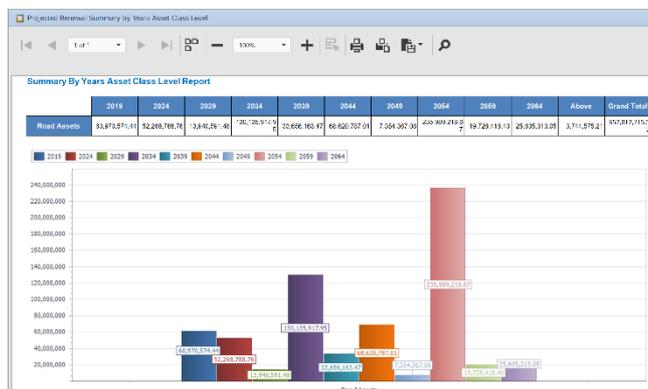
Despite the constant pressure to ensure the integration of asset accounting with asset management, the valuation of assets for financial reporting purposes is viewed by some councils as nothing more than a compliance cost and as such, irrespective of the outputs delivered, preference is given to the lowest price.

This culture leads to the delivery of figures which provide no real value to council or worse still deliver figures that are non-compliant, do not reflect the asset management reality and provide no value or even confuse councils regarding critical asset management decisions.

In contrast, the cloud-based Asset Valuer Pro application not only delivers the financial reporting and insurance valuations satisfying all IPSAS and IFRS requirements but also delivers an extensive range of key asset management outputs at a fraction of the cost of traditional approaches and expensive asset management systems.

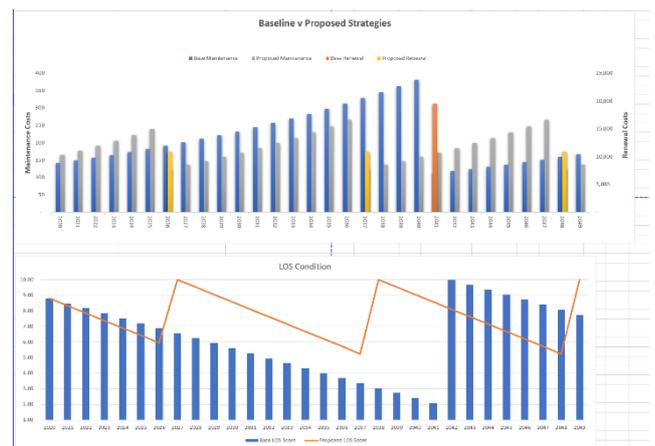
This process provides fully compliant, consistent and meaningful data across the whole of council. For some entities the cost savings have been greater than 60%. The system captures asset condition and delivers valuations and all financial disclosures while also delivering a range of audit reports and an increasingly extensive range of asset management capabilities including –

- Detailed condition and valuation analysis
- Baseline 50 Years renewals program
- Mapping and map filtering based on condition score
- Auto-generation 'Cost to Bring to Satisfactory' report



These are soon to be enhanced with a **full lifecycle cost model** that enables councils to model the impact on whole-of-lifecycle cost and condition score over a 30-year period for changes in maintenance spend, useful life, intervention points and forced renewal by year for specific assets.

Tools and innovations such as this product enable the integration of asset accounting and asset management and the realisation of real value-for-money for councils. Ultimately this translates into improved asset management frameworks and the ability to achieve better outcomes for communities using less resources.



Changes in Accounting Standards

In recent years both the IFRS and IPSASB have amended their fundamental conceptual frameworks and made changes to their accounting standards. These changes have brought both asset accounting and asset management together.

However, one of the implications is that many simplistic valuation methodologies and practices commonly adopted in the past require significant enhancement to satisfy the new requirements. This includes the modelling of the short-life and long-life parts of components and ensuring the valuation and depreciation assumptions reflect the actual asset management experience. These in turn will need to be updated to reflect changes in asset management strategies.

Asset Valuer Pro already satisfies all of these requirements while also providing extensive asset management capability to support the Strategic Asset Management Framework of the entity. Asset Valuer Pro keeps the methodology and data input simple will delivering significant great sophistication and at a fraction of the cost of traditional approaches.

