

ASSET MANAGEMENT

DEFINITION

Asset management is “the combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost-effective manner” (National Asset Management Steering Group, 2006). In practical terms it is the maintenance of a desired level of service at the lowest life-cycle cost. Asset management is a scalable approach that can be implemented for systems of any size.

WHY IS IT IMPORTANT FOR SUSTAINABLE SERVICES AT SCALE?

Asset management leads to more realistic budgeting and planning and enables considerable cost savings over the medium and long term. Major replacements need to be planned for and financed properly and long-term planning for replacement is crucial if sustainable services are to be maintained permanently. In theory this is usually done by the service authority such as local government or another external body, therefore the service provider may not have full responsibility for large-scale capital replacement or upgrading.

BENEFITS OF ASSET MANAGEMENT

- Prolonging asset life and aiding rehabilitation, repair or replacement decisions through efficient and focused operations and maintenance.
- Meeting consumer demands with a focus on system sustainability.
- Setting rates based on sound operational and financial planning.
- Budgeting focused on activities critical to sustained performance.
- Meeting service expectations and regulatory requirements.
- Improving response to emergencies.
- Improving security and safety of assets

SELECTED REFERENCES, TOOLS AND TEMPLATES

WASHCost 2013 Working Paper 9 – Financing Capital maintenance of rural water supply systems: current practices and future options

EPA Asset Management Resource http://water.epa.gov/infrastructure/sustain/am_resources.cfm

ELEMENTS OF ASSET MANAGEMENT PRACTICE

Asset management is centred on a framework of core questions, which provide the foundation for many asset management best practices:

- What is the current state of the assets?
- What is the required “sustainable” level of service?
- Which assets are critical to sustained performance?
- What are the minimum life-cycle costs?
- What is my best long-term funding strategy?

Best practices can include:

- Moving from reactive maintenance to predictive maintenance.
- Knowing the costs and benefits of rehabilitation versus replacement.
- Looking at lifecycle costs, especially for critical assets.
- Deploying resources based on asset conditions.
- Analyzing the causes of asset failure to develop specific response plans

RECOMMENDATIONS FOR ASSET MANAGEMENT

- Maintain a systematic record (inventory) of individual assets and their components including acquisition cost, original service life, remaining useful life, physical condition, repair and maintenance consistency
- Develop a defined program for sustaining the aggregate body of assets through planned maintenance, repair, and replacement
- Implement and manage information systems in support of these systems (e.g., Geographic Information Systems)
- Make explicit who is responsible for capital maintenance, supported by fixed asset accounting.