

# LINKING ASSETS TO COMMUNITY VALUES & OUTCOMES

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## Abstract

Local government practitioners manage significant asset portfolios on behalf of the community. We all know that these assets need to be managed and that we need to have asset management plans and forward strategies in place for maintenance, renewal, upgrade or replacement.

But do local government practitioners understand and seek to understand what their customers (ie community) expectations are and what they value? Are these community expectations and values easily translated into outcomes, services and assets? More importantly do these assets, and their provision, maintenance, renewal, upgrade, align with community expectations?

Learnings from IPWEA's – *Establishing Levels of Service & Customer Value Study Tour of New Zealand* (June 2006) as well the *Creating Customer Value from Community Assets* (2002) have been the key influence in developing an approach to integrate customer expectations/values with services and assets. A case study of Cairns City Council's Asset Management Development Programs' (AMDP) approach to establishing clear linkages between the Assets ↔ Services ↔ Community will also be presented.

**Key Words: Asset Management, Community Outcomes & Values , Levels of Service, Local Government, New Zealand Level of Service Study Tour, Cairns City Council**

## Introduction

Much work and success has been achieved by local government in developing asset management plans, identifying service standards, future resource projections and securing funding/resources for maintenance, capital renewal & upgrade.

A walk in the park for many, for others – a challenge. At the end of the day the question needs to be asked – do your Asset Management Plans assist with better delivery of services and do they align with your community values and expectations?

Assets do not exist in isolation. They only exist to provide services to the community. The challenge is to link community expectations with services and assets.

We need to ask ourselves the questions -

- We know what assets we manage but do we know why we need these assets?

- Do we know what our communities value ?
- Can we make the link between community expectations with services and assets?

This paper provides some key insights from the authors participation in IPWEA's 2006 *Establishing Levels of Service & Customer Value Study Tour of New Zealand Local Government*, as well as an approach developed to integrate customer expectations/values with services and assets

The application of this approach is also presented in this paper by way of a case study of Cairns City Council's Service Delivery Framework which links Assets ↔ Services ↔ Community.

## **Learnings from NZ Study Tour - Establishing Levels of Service & Customer Value**

In June 2006, IPWEA conducted a New Zealand (NZ) Asset Management study tour on 'Establishing Levels of Service and Customer Value'. The study tour group, made up of representatives from local government around Australia (including the author of this paper) and USA, visited the Councils of Manukau, Waitakere, North Shore and Waikato in the Auckland region as well as attending the 2006 INGENIUM NZ conference.

The emphasis of the study tour was on how each of these Councils dealt with addressing levels of service and customer value including

- Defining & costing levels of service
- Consulting with the community
- Asset management planning
- What do customers value

### **Legislative Overview**

New Zealand Councils have been required by legislation to develop Asset Management Plans for a number of years. The 2002 NZ Local Government Act amendment requires the development of 10 year "Long Term Council Community Plans" (LTCCP's) detailing community outcomes, council activities/levels of service and involving community engagement on levels of service.

Councils visited on the NZ Study Tour all showed varied progress detailing the levels of service, assets and the linkages with community outcomes. The fact that they are required by legislation to do so has not deterred some going beyond legislative requirements – it makes good business sense to do so.

### **Integrating Asset Management with Business Planning**

It should also be stated that whilst New Zealand legislation has given the mandate for local government to develop asset management plans and also then undertake a more wholistic approach to asset management - it may not necessarily translate in better operations and service

delivery for every Council - as is evidenced by Audit NZ 2004/05 audit results as follows;

*"that asset management plans are not informing maintenance and development work as intended... it appears that many councils still do not understand the benefit of good asset management planning, and that, while software tools are available to help councils integrate asset management information into business planning, these are not being used to their full potential"*

This lends justification to the concept that asset management (and therefore any asset management plan) is not a stand alone function and needs to be integrated with business management and organisational development (and ideally within a framework).

One approach by some NZ Council's is the development of *Activity Plans* in conjunction with *Asset Management Plans (AMP's)*. The concept is that Activity Plans are more representative of the actual *services* being delivered to the community, as opposed to the *assets*.

To put it in to context – for say library services – an AMP would typically describe the buildings, books and office equipment whereas an Activity Plan describes the book borrowing, internet and reference library services. In this case, the library building asset is indirectly associated with the service provided to the community. The AMP is therefore a more appropriate as a support document to the Activity Plan.

### **Community Engagement on Service Levels**

Having regard to the need to establish buy in of their communities in relation to long term plans and service levels (as required by legislation), the experiences gained in community engagement by New Zealand Councils are invaluable. Some important observations on community engagement from the NZ Councils visited are as follows;

- Effective community engagement requires some specialised skills to advise on appropriate consultation techniques

- Community engagement is a two way process- it is about seeking and engaging with customers as well as educating your customer base.
- consultation processes need to be individually tailored to suit the political environment, the community it represents and the accuracy of current and historical asset/financial data.
- Use of technical terms need to be limited and publications tailored to suit your audience (ie the community).
- Use of focus groups was seen as an appropriate way to engage with a selection of the community in the early stages of developing levels of service.
- Focus groups were also seen as an effective tool in educating community representatives on what local government actually does.
- Use of community newsletters, on-line voting and “roadshows” seemed to work very well for the final stages of community wide consultation
- Public meetings were seen as having limited benefit.
- All Councils visited developed a staged approach to community engagement (over a number of years) as data on levels of service matured.

### ***NZ Study Tour findings***

Some of the findings from the study tour were;

- New Zealand legislation is the driver for advancement of asset management in local government.
- The key focus of asset management is linking community outcomes/values with services and assets.
- Some Councils have moved away from only having Asset Management Plans in place and have developed Activity Plans as a way of addressing the need to look at the “service” perspective. `For example Waitakere City Council have taken the view that Activity Plans = AMP’s + Business Plans and have introduced this hierarchy as such within their LTCCP and organisational framework.
- Community engagement is a critical component for NZ Councils in ensuring that community outcomes /values link with services and assets.

The key learning from the NZ Study Tour is that community expectations with respect to levels of service should drive what assets and services local government provides.

Much emphasis (and understandably so) is placed on local government developing and implementing Asset Management Plans because of the huge investment in assets. The cost of renewal for these assets has bought the financial viability of some Councils into the recent spotlight.

The linkages between assets, levels of service and community expectations need to be established. Without this, the ability of Councils to rationalise their assets, match the demands of development and therefore commence addressing financial viability is hampered.

### **Do You Know Your Customers Want and What They Value?**

Most local governments undertake strategic and annual planning processes involving a level of consultation with their customers and communities on strategic outcomes, which therefore brings with it a level confidence in your community views. However, as with any business, sometimes we don’t quite hit the mark when it comes to understanding what our community and customers want and what information we should provide them on service levels.

For example how many of us spend large amounts of time on debating the right grass length in a park when our communities really only want a grassed area within walking distance of their home.

There are two messages here - :

- that in establishing levels of service, we need to be cognisant of and ready to accept what our communities actually want and value. Local government practitioners involved with managing /providing services and assets can sometimes become too close to the technical detail. Community engagement, therefore, is an essential process in sampling what our communities value as important.

- that the use of “customer” friendly terminology is a key part of the engagement process and leads to a better understanding of what customers want.

One of the primary steps in developing an understanding of what customers want is to find out what they value (Creating Customer Value from Community Assets, 2002).

Value is so often based on a perception and what one section of the community regards as having value is not always shared by others. In general terms value can be grouped as per the following examples:

- Quality – eg water is always supplied, presentation of facilities (parks)
- Safety – eg road is safe to drive, water is safe to drink
- Accessibility – eg fair distribution of facilities across a city, ease of access to services
- Reliability – eg roads & transport, water system reliability.
- Cost effectiveness – services are affordable

### **Integrating Customer (Community) Values with Levels of Service**

Having established high level core values (that ultimately need to be tested with the community), it is also important to ensure that these values confer with Councils strategic outcomes (eg outcomes as itemised in a corporate plan and/or annual plan).

The relationship of values and strategic outcomes with levels of service is then related to level of service hierarchy. This hierarchy is based on the concept that levels of service need to be framed around what our community receive (ie customer measures) with corresponding levels of service used to measure operational performance (ie. technical measures) (Creating Customer Value from Community Assets, 2002).

For most local government practitioners, technical measures are often easy to understand and used for operations and maintenance specifications. Further, having established the need to engage with the community on outcomes/values and service

levels it makes sense to present service measures in terms of what the customer can understand.

Table 1 shows how values and customer outcomes can be linked to customer and technical levels of service.

Table 1 – Linking Values, Outcomes to Customer & Technical Levels of Service

<b>Core Value</b>	<b>Customer (Strategic) Outcome</b>	<b>Customer Levels of Service</b>	<b>Technical Levels of Service</b>
Quality (Continuity) /Reliability	Water supply is appropriate for its intended use	Time to fill a 10 litre bucket of water is less than (x) minutes	<ul style="list-style-type: none"> <li>• Flowrate (l/s) at boundary</li> <li>• Pressure (kPA) at boundary</li> </ul>
Accessibility	A wide of range of services (parks) is conveniently available	Nearest playground is within (x) minutes walk	(x)% of community have access to playground within (y) km of residence
Safety	Facilities (swimming pools) are safe to use	No reports of sickness or infection from pool use	(x) % water quality compliance with standards

### **Where do the Assets fit in ?**

The challenge that we all face is aligning the assets we manage with the community expectations and values. The previous section outlined how community values can be linked with levels of service – so how do assets fit in the picture?

A case study of Cairns City Councils Service Delivery Framework outlined in the following pages details an approach for linking assets and levels of service with community values.

It is only when we understand the link of assets with levels of service and community values that we can begin to put asset management plans into context.

## A Case Study: Cairns City Council's Service Delivery Framework

### Introduction – Asset Management

Like many other local governments, Cairns City Council in far north Queensland is facing up to the challenge of ageing infrastructure.

Cairns City Council currently has assets with a replacement cost in excess of \$2 Billion. An Asset Management Policy and Strategy was developed in 2003. An Asset Management Development Program (AMDProgram) was initiated in mid-2006 to enable asset management to proceed as a high priority.

The AMDProgram is defined by four (4) streams as follows.

- Service Delivery Framework as part of Organisational Development
- Develop & Implement Asset Management Plans
- Business Process Re-engineering
- Integrated Asset Management System

Through the progression of these streams it is expected that "Core" Asset Management will be established by December 2007 and "Advanced" Asset Management within 5 years.

### Service Delivery Framework – Intent

*So why is Cairns City Council's AMDProgram and Service Delivery Framework different to other Asset Management work ?*

The Service Delivery Framework is an extension of the typical asset management work currently being undertaken within the Australian local government sector in that it will establish clear linkages with Assets ↔ Services ↔ Community. This will be achieved by the development and implementation of linkages between Council's Activities, Core Values, Customer Outcomes, Levels of Service and Assets.

The deliverables are expected to be;

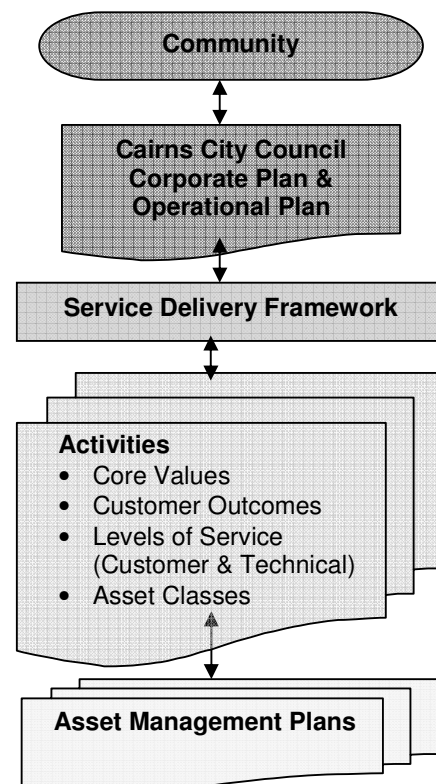
- Development of agreed Customer Outcomes, Levels of Service for each Activity

- Identification of base assets and the Asset Management Plans needed to support each Activity
- Mechanisms for monitoring each Activity to ensure the right Levels of Service and assets are provided
- Common understanding of Activity owner, asset manager and service provider roles.

### Organisational Context

Critical to the success of Service Delivery Framework was establishing its relationship and relevance within the organisation planning framework - it is embedded in and informs other key documents rather than being a stand alone feature of asset management. The Service Delivery Framework and its relationship with key organisation documentation is shown in Figure 2.

Fig 2 – High Level Organisational Context of Service Delivery Framework



As with many local governments with large infrastructure portfolios, some of the issues surrounding asset management and service delivery that prompted the development of the Service Delivery Framework were the need to ;

- Improve customer focus.
- Establish asset management as an integral part of delivering all services, whilst also debunking the concept that asset management is an engineering function
- Improve accountability for assets and their link to service delivery
- Provide better information to the community of the assets and services Council provides
- Provide and maintain services and assets to meet community expectations
- Provide better value for money in the delivery of services
- Improve service and asset planning

**Implementation**

Prior to embarkation of the AMDProgram, Council implemented the Australian Business Excellence Framework (ABEF) to improve organisational effectiveness.

Using the principles of ABEF, each operational area of Council (ie known as “Activity”) was reviewed with subsets of information determined as follows :- *Values, Mission, Vision, Customers, Suppliers, Outputs, Process Measures, Result Measures, Result Targets and Inputs.*

Whilst the intent of the ABEF process was to strengthen the alignment of Council Activities against its Corporate & Operational Plan (by virtue of identifying customers, suppliers result measures and outputs) it also set a good platform for the application and utilisation of the Service Delivery Framework.

Implementation of the Service Delivery Framework occurred across the whole organisation through a series of workshops with line managers and staff facilitated by the AMDProgram Team. Each line manager then convened their teams to work through a step-by-step process. This process is defined as shown in Table 2.

Table 2 – Steps in Service Delivery Framework

Step	Detail	Comment	Timing
1	<b>Who are the customers</b>	Already established for each Activity though ABEF process	Late 2005 to mid 2006
2	<b>Re-affirm core values</b>	Required development	Nov 06 to Jun 07
3	<b>What are customer outcomes</b>	Required development. Also required “outcomes” to be included in ABEF process	Nov 06 to May 07
4	<b>Describe current levels of service (LOS)</b>	Customer LOS developed in tandem with existing technical LOS. Step 4 is prerequisite to development of “Core” Asset Management Plans	Nov 06 to May 07
5	<b>Costing levels of service &amp; options</b>	Future activity considered part of “Advanced” Asset Management	From July 07
6	<b>Engaging with the community</b>	Future activity considered part of “Advanced” Asset Management	

Working with the examples as shown in *Creating Customer Value from Community Assets (2002)*, the exercise was then to identify Core Values, Customer Outcomes and Customer and Technical Levels of Service for each Council Activity.

Linkages with assets have been brought about by detailing the asset class and standards for each Activity and Level of Service. An example of this application is shown in Table 3 for Parks Management Activity.

Table 3 - Linking Customer Outcomes, Levels of Service and Assets Example

Activity – Parks Management					
Core Value	Customer Outcome	Customer Level of Service	Technical Level of Service	Asset Class	Asset Class Standards
Accessibility	A wide range of parks & open spaces are provided	Annual survey shows (x)% satisfied with range & no. of park/open spaces	(x)% of residents live within (y) km of park	Local Parks District Parks Regional Parks	Local park = 1 jnr playground 1 bench seat 1 water fountain Etc
Safety	The park facilities are safe to use	Less than (x) reported playground accidents per year	Full compliance with design standards	Local Parks District Parks Regional Parks	
Quality	The park facilities provide a good quality experience	Annual survey shows (x)% of people are satisfied with look of parks	Parks mowed (x) times per year	Local Parks District Parks Regional Parks	

### **Benefits**

The immediate benefits of the Service Delivery Framework in the early stages have been that :

- line managers and staff clearly understand and have articulated the alignment of their Activities, Levels of Service and Assets (and Asset Management Plans) with Customer Outcomes.
- it has prompted the review and re-alignment of some existing services, assets and their accountability.
- line managers understand and accept asset ownership and custodianship roles because the alignment of assets with their activity/service is clearly demonstrated.

As an added bonus, the indirect benefits of the Service Delivery Framework have been fairly profound. These include ;

- an understanding by all staff of who their customers really are
- an understanding by all staff that asset management is not just about the 'assets' and is an integral part of delivering services to the community (ie. correcting a misconception throughout local government that asset management is only an engineering function).

### **Learnings**

As with all new developments within an organisation, the implementation of the Service Delivery Framework has taken time to take hold with staff which was anticipated - though it was not considered an unreasonable amount of time given the work required and the benefits being derived.

In going down the path of the Service Delivery Framework's systematic process, numerous other benefits for the organisation have been realised and not just from a service delivery and asset management perspective. The Service Delivery Framework has in fact been a vehicle for organisational development as well as improving business and operational planning.

## Conclusion

Managing local government asset portfolios brings with it significant accountability. A great deal of effort is being made by local government to address that accountability – by developing asset management plans. In doing so the linkages with community expectations and values may at times be overlooked (or at worst not even considered)

The key learning from IPWEA's New Zealand (NZ) Study Tour on *Establishing Levels of Service and Customer Value (2006)* is that community expectations and values with respect to levels of service should drive what assets and services local government provides.

A fundamental shift in the way we look at asset management needs to occur.

It's not just about the assets, developing asset management plans and detailing the financial /engineering data.

It's about making sure that we, as local government practitioners, deliver services by way of understanding and articulating the community values, levels of service and the corresponding assets we need to provide and manage.

Service delivery is the core of local government. Hopefully this paper *inspires* local government to re-focus their attention on service delivery by establishing linkages with community values, levels of service and their assets.

Cairns City Council and New Zealand local government are taking the lead in establishing linkages with community values, levels of service and assets.

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## **Author Biography**

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Sandra Burke has 24 years of experience in civil engineering with 10 years at senior management level at Cairns City Council (CCC). Sandra has managed the portfolios of water / wastewater, transport, drainage, parks & foreshores, asset accounting and asset management.

Sandra was awarded IPWEAQ Fellowship to attend IPWEA's New Zealand (NZ) Study Tour on *Establishing Levels of Service and Customer Value (2006)*.

In July 2006 Sandra took up the role Manager Asset Management Development Program, which included developing its Service Delivery Framework.

Sandra's contributions to asset management include the development of whole of Council Asset Management Strategy & Policy (one of the first council's in Queensland) as well as a contributor to local government publications.

In December 2006 Sandra commenced her own asset management/engineering consultancy business aimed at assisting local government with asset management. This coupled with her young family keeps her on her toes.

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