

# ***Your Asset Manager and You and Linking the Financial Asset Plans and Practices***

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- Presenting the financial consequences of asset decisions
- Questions to ask your asset managers and information to give them
- Ongoing asset information needs
- Accounting for assests

# Presenting the financial consequences of asset decisions

- KISS
- Understandable
- Relevant
- Time period

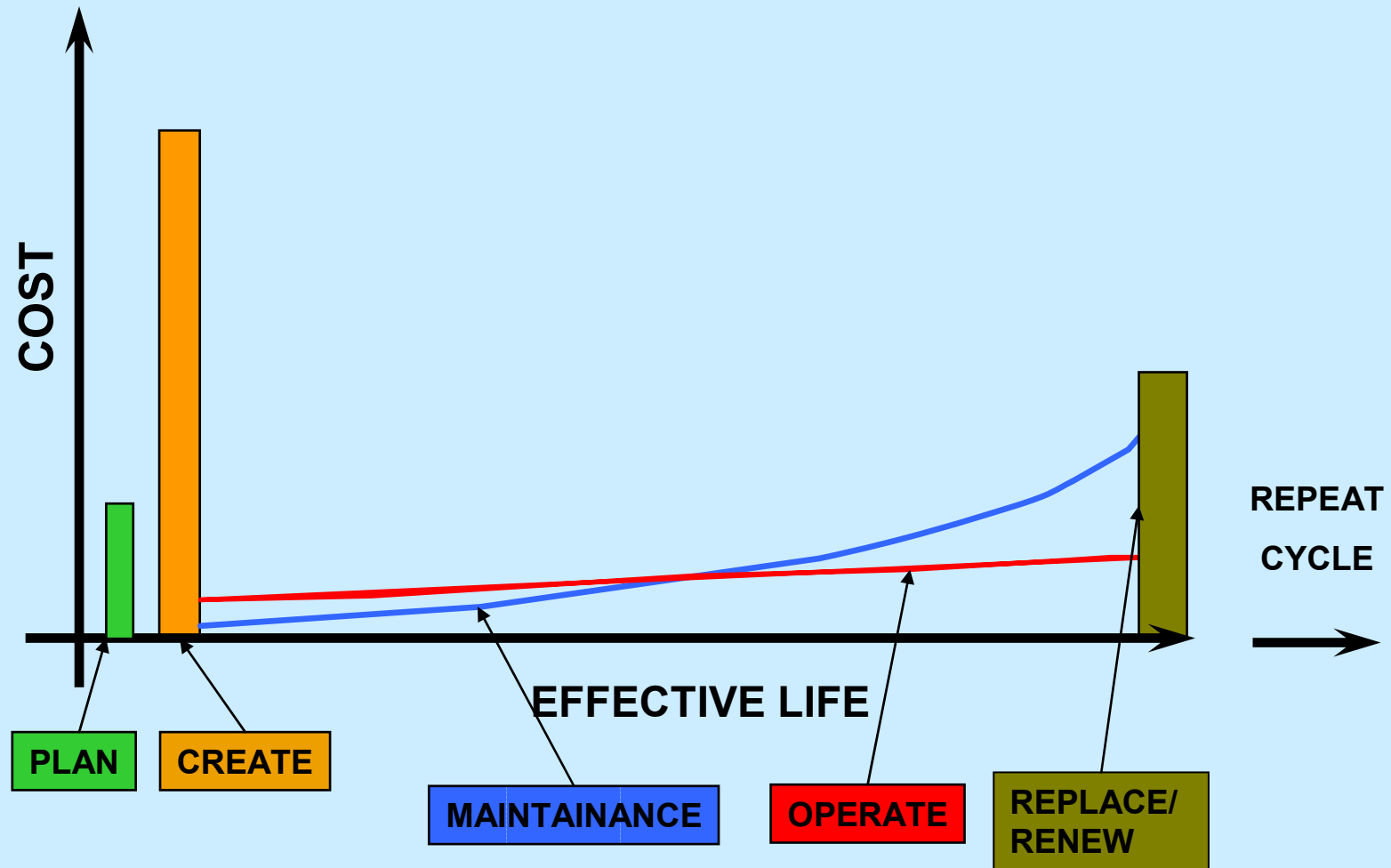
# What information

- All costs
- Capital operations and maintenance renewals depreciation
- Debt – interest & principal
- Revenue

Over what period

- One year
- 10 years
- 25 years
- Or over the life cycle of the asset
- How are renewals going to be paid for ? Depreciation

# Various costs in a life cycle of an asset



- Revenue changes
- Expenditure ( excluding inflation) changes over time

# How

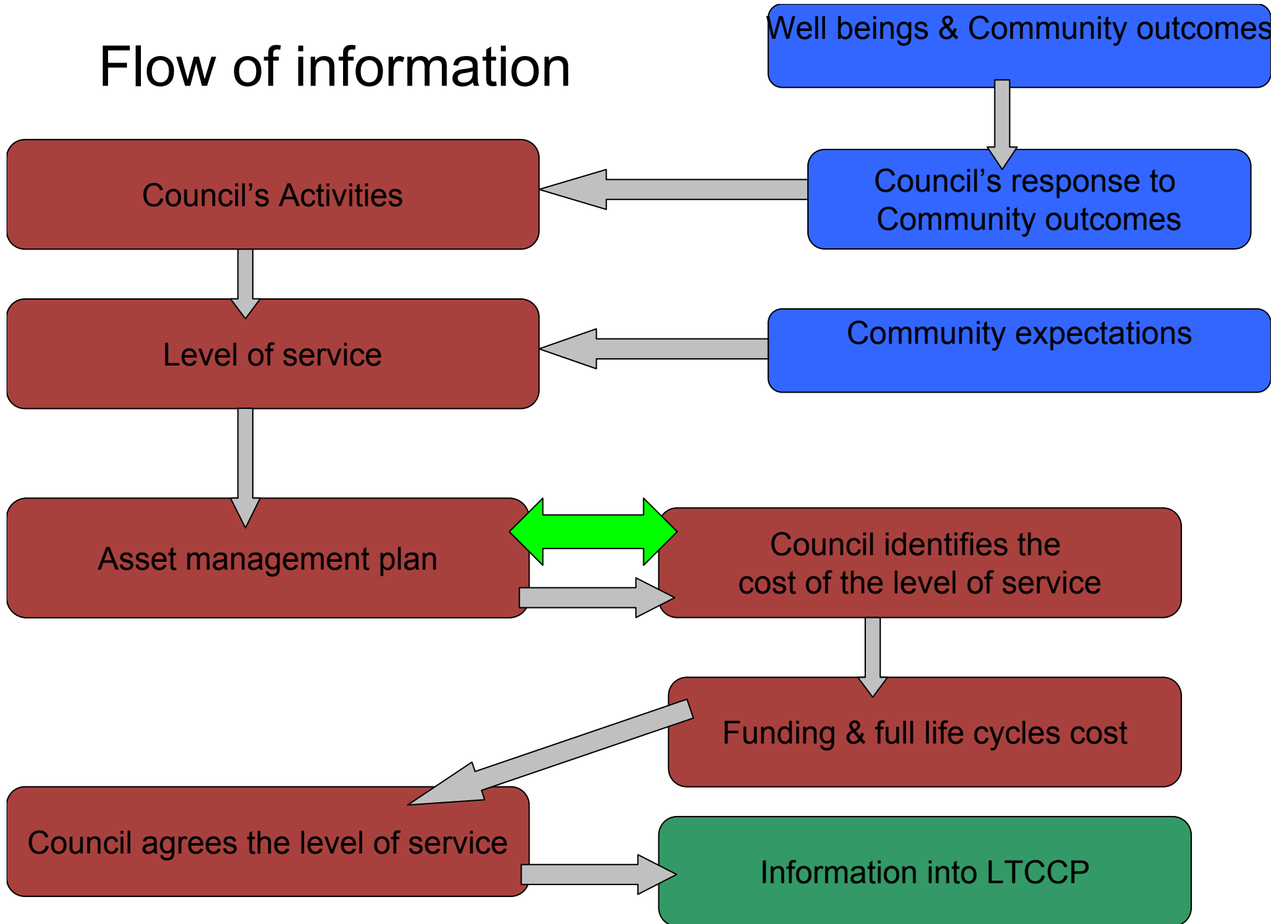
- Use of graphs
  - Paints a picture
- Summary information
  - Key data
    - Rates
    - Debt
    - Expenditure
- Detail information
  - For the person who wants everything

- Questions to ask your asset managers and information to give them

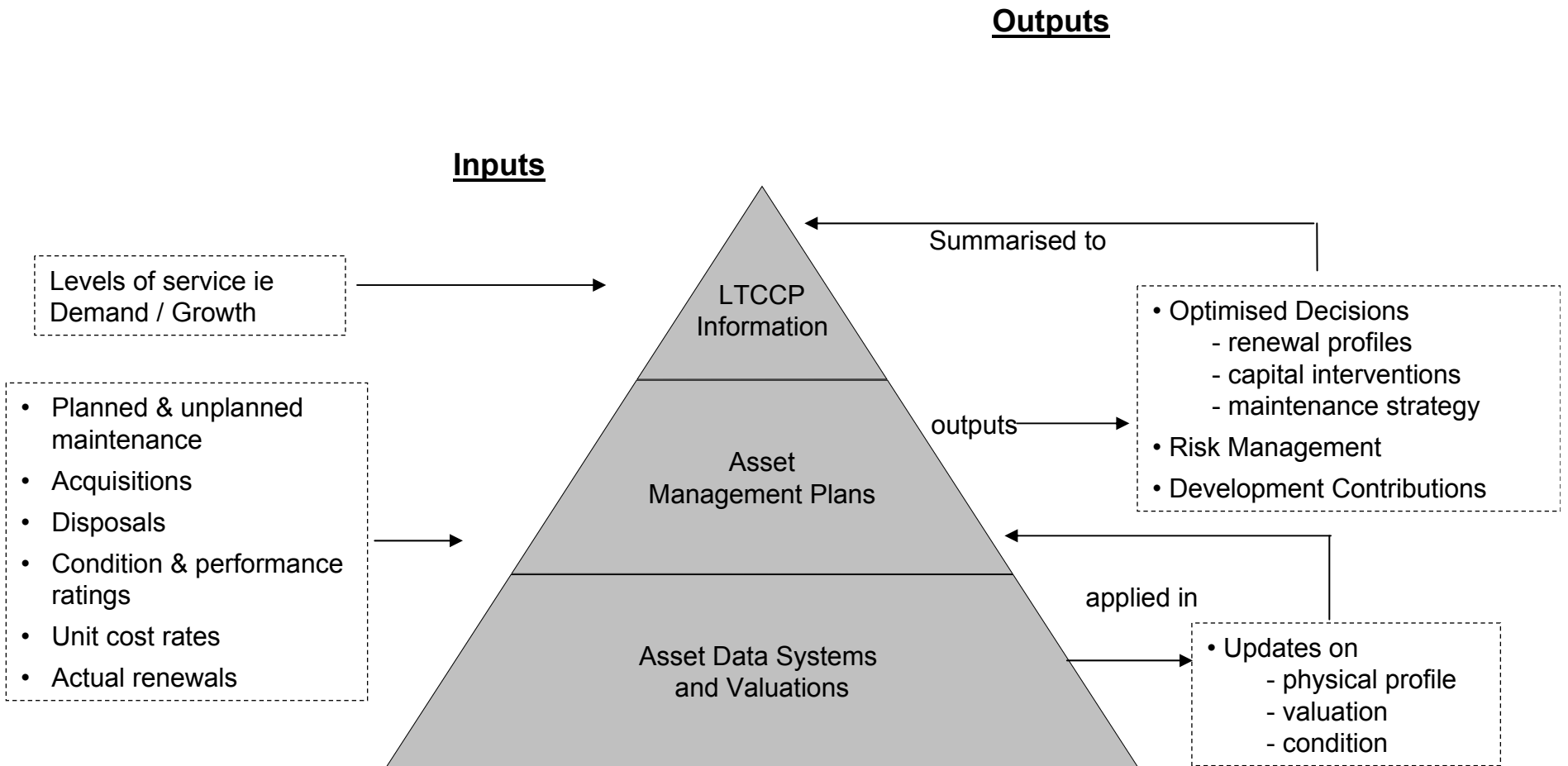
# What information

- This is also a view that was reached by our (OAG) expert reviewers. Their report notes that it generally appeared:
- *... that councils focused on complying with the requirements of the Act, and have improved the quality of the underlying information to ensure that they meet audit expectations, but are still at an early stage in effectively using the integrated information to enhance their own decision-making processes and the quality of the planning process for all stakeholders.*

# Flow of information



# Information flows and hierarchies of asset management information?



# The different needs for asset data

- Decision-making and strategy
- Asset managers
- Financial management
- Stakeholders (ratepayers)

# The different needs for asset data

- ***Decision-making and strategy***

- Change in demand
- *Levels of service*
- *Cost trade-offs*

- ***Asset management***

- Day to day management
- Long-term and decision-making
- Optimised decision-making

- ***Financial management***

- Expenses \$
- Revenue \$
- Valuation \$

- ***Members of the public***

- Rates – how much is going to cost me
- Have you made the right decision
- Value for money

# ***Decision-making and strategy***

- *Levels of service*
- *Cost trade-offs*
- Change in demand

# Demand Management

## Definition

“The active intervention in the market to influence demand for services and assets with forecast consequences, usually to avoid or to defer capital expenditure”  
(IIMM)

# Demand Management

- Demand factors
- Demand forecasting
- Demand Management
  - Asset solutions
  - Non asset solutions

# *Asset management*

- Day to day management
- Long-term and decision-making
- Optimised decision-making

# *Financial management*

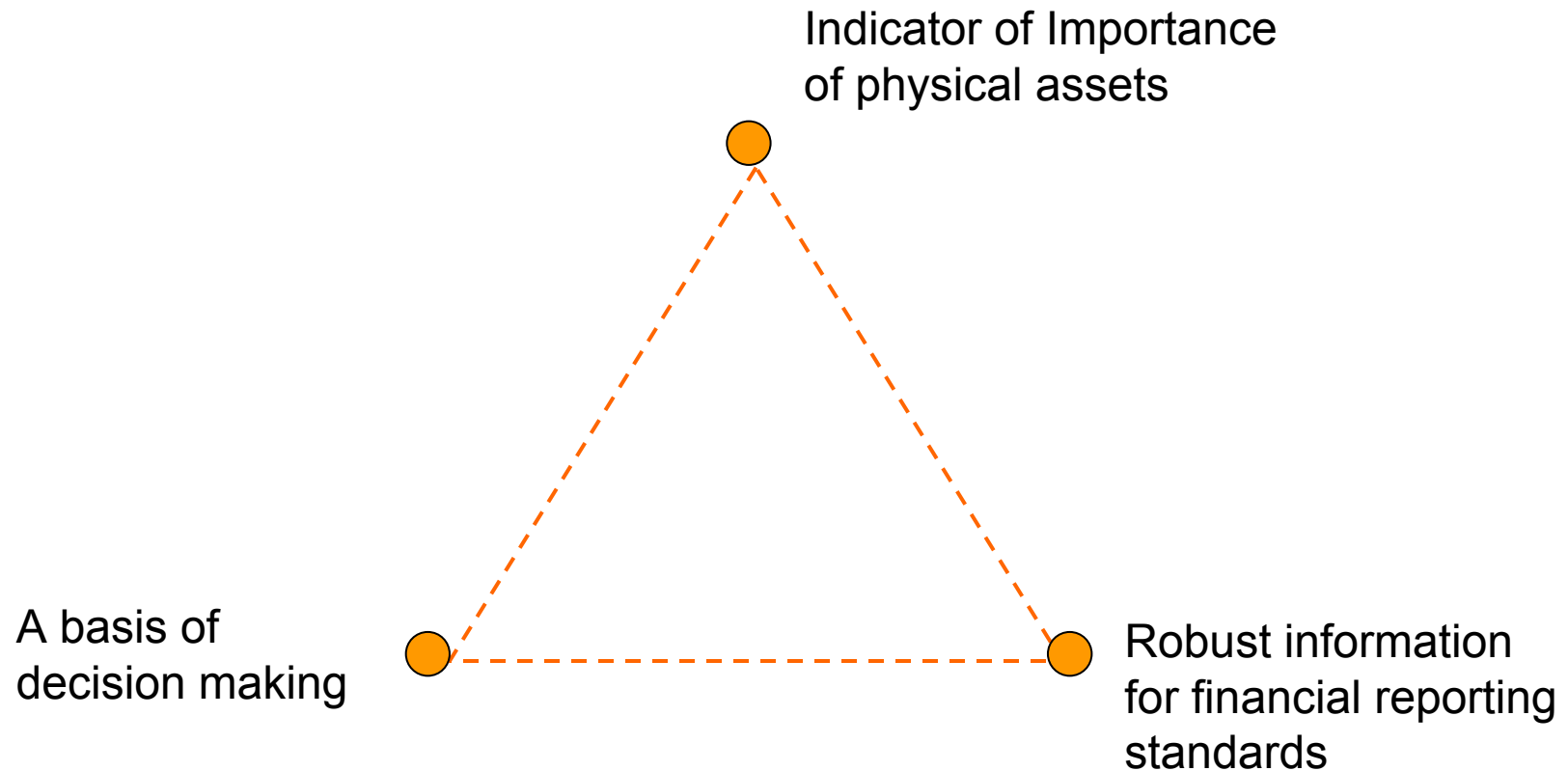
- Expenses
- Revenue
- Capital expenditure
  - Renewals
  - New works
- Valuation & Depreciation

# Failure modes

- Condition / Mortality / Structural
- Capacity / Utilisation
- Cost/Economics
- Level of Service / Reliability
- Technological / Obsolescence

# Ongoing asset information needs

# What's the vision for valuations



# A Basis of Council Decision Making

A Base for:

- Actual and forecast depreciation
- Assessing renewal profiles
- Assessing the renewal 'gap'  
(depreciation less renewals)

- Improved Record Keeping!

Useful lives

Additions

Deletions

Unit Costs

Date of Acquisition

Physical Characteristics

Condition and performance



# Useful Lives of Assets

Definition

## USEFUL LIFE

Is either:

- (a) The period over which an asset is expected to be available for use by an entity; or
- (b) The number of production or similar units expected to be obtained from the asset by the entity (NZ IAS 16 paragraph 6)