

Blog

The Asset Management Network

July 2018

Why measure the performance of your assets?

By Mike Victory-Rowe, Asset Management Network Lead Associate

Measuring the long-term performance of your assets is essential to understanding their worth to your business. It will provide an objective baseline on which to make investment decisions, demonstrate value for money and identify locations, schemes, properties and tenure types requiring more detailed appraisals.

Asset performance is one of the key components of an effective asset management framework – helping you to actively manage your property assets to underpin your corporate strategy and wider business priorities. To test how well you really understand the performance of your assets it is worth asking yourself some searching questions. For example:

- How well do you use business analysis methods to understand the actual performance of your assets?
- Do you trust that you have a reliable data set to produce an accurate measure of the performance of your assets?
- Have you created a data maturity strategy that is allowing you to improve the accuracy of your data set and business intelligence?
- Do you use social, economic (NPV, yield) and environmental measures to assess the performance of your assets?
- How well do you make use of external information and measures (such as market valuations or the index of multiple deprivation) to reflect the impact of income, employment, education, health and crime on the performance of your assets?
- Does the asset performance assessment tool you use to categorise your assets allow you to properly understand and rank the best and worst performers within your portfolio?

Measuring the performance of your assets is essential in allowing you to understand their worth to the business and providing your organisation with an objective baseline on which to make good decisions regarding the management of your assets. Critically, your organisation will be able to make better, quicker and more transparent decisions based around the performance of your assets.

Measuring the performance of your assets will also assist your business in meeting the requirements of the new Value for Money (VfM) Standard, where the regulator considers it is essential that your organisation and board have both understanding and confidence in the data and business intelligence associated with your property portfolio performance, investment and appraisal decisions. It will also give you the ability to set targets to measure and evidence performance in ensuring the best value is derived from assets in the delivery of strategic asset management. One of the required outcomes of the new VfM Standard will be to demonstrate you have a full understanding of the return generated from your assets compared to the costs of maintaining those assets, and demonstrate how this return varies across your asset base according to tenure, stock type or geographical location.

So, the theory sounds logical and straightforward and the benefits are clear: so far, so good. But putting all of this into practice can be challenging, so here are some tips and suggestions to consider:

- Ensure that your approach is designed to positively assist your organisation in the delivery of strategic asset management
- Design a performance matrix that defines the key outputs and measures you want from your performance model, eg, net present value (NPV), demand (turnover, void loss and tenancy length) and measures of satisfaction, deprivation and energy performance
- Ensure you have access to the skills needed to design, build and maintain a performance model and/or determine whether to procure a bespoke or off the shelf model
- Allow time to assemble and define the data required to measure performance and check its source and trustworthiness
- Work with your finance team to define the business modelling assumptions in the performance model
- Define the archetypes and asset groups you want to measure against
- Generate and sense check the outputs and cash flows produced by the model
- Take time to understand the results and demands on the business
- Create a position statement of asset performance and assets that will require further option appraisals
- Take the results to the business – using business intelligence and performance to influence both strategic and day-to-day decisions
- Ensure you have the right skills and resources in the business to design, implement and maintain the process
- Create the right policy, procedures and process to support future delivery
- Update risk management and business assurance requirements to reflect your approach.

At the end of the day it is essential – and makes simple commercial sense for organisations in the business of providing sustainable homes and communities – that you properly understand the performance of your assets and that this understanding informs your strategic decisions and approach. Challenge yourself today to test where your organisation is on this.

About the author(s)

Main text <Add text here> 17cm