

ACHIEVING DRC COMPLIANCE EARLY WILL OPTIMISE ASSET CONDITION, PERFORMANCE AND EXPENDITURE



“Highways Asset Management is not a new concept, but in the UK it is arguably still a discipline which is too complex for residents and members to see where or how best value is being achieved. The majority of local authorities are in the early stages of developing their Highways Asset Management Plans (HAMPs) and as a consequence, the best practice approaches described within them do not yet fully lever the potential benefits.” Brian Fitzpatrick - Partner, Head of Highways

Local authorities are adopting different approaches to asset management. This ranges from complex and often costly engineering solutions to substantiate investment decisions, to focusing expenditure more visibly at local residents needs rather than those of drivers simply ‘passing through’.

Some local authorities regard Highways Asset Management as nothing more than a rationalisation exercise and are potentially missing the opportunity that early valuation compliance and outcome focused development of a HAMP can bring.

Accurately applying valuations

Many authorities have struggled with understanding how to accurately apply a valuation which can clearly

demonstrate the benefits of intervention and the savings that might accrue.

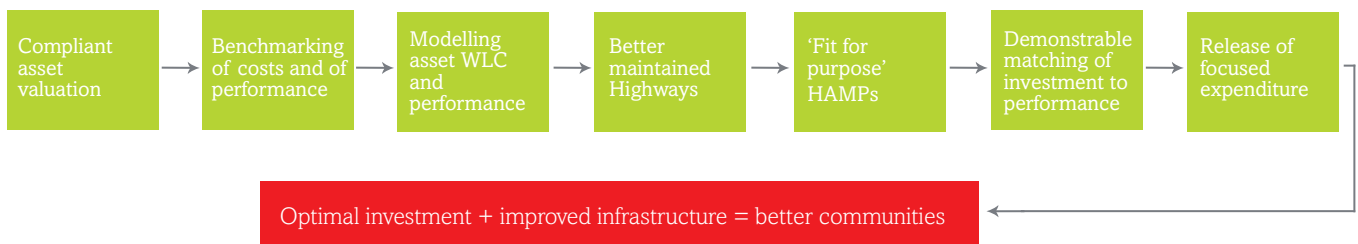
Dependent upon the maturity level of the assessment methodology in use, money is arguably being spent on assets that aren’t a priority or is missing activities that would more positively impact upon residents and the wider community.

The current drive towards ensuring that local authorities achieve auditable Depreciated Replacement Cost (DRC) valuations by 2013 and the recent release of funding by the Department for Transport should raise everyone’s game

Why is the drive towards DRC valuation important?

An accurate valuation is absolutely critical but it should also be seen in context. Achieving compliance is one step in a journey towards being able to demonstrate that the optimum choices are being made within a logical and transparent decision making environment.

Driving compliance to performance - the Highways Asset Management journey



Those authorities, who can achieve early compliance to DRC however, and consequently are able to demonstrate an informed approach towards development of the asset plan, will be in a better position to make informed choices around investment and refurbishment, and bidding for investment.

Outcome focused strategy

A joined up and outcome focused maintenance strategy drives good management information, which in turn will improve decision making and investment choices. Simple but accurate whole life modelling allows best interventions to be gauged, weighed against residents' needs. There is sometimes a tendency to 'over engineer' the modelling and approach (and spend too much).

Management data should include comparative benchmarking of asset condition, performance and value. Ideally this will be at a national and local level allowing the local authority to identify its performance against peers. The HAMP should be the tool to consistently measure performance and drive improvement.

Real added value

In today's challenging environment therefore it is essential that the valuation process acts as a robust foundation. A 'fit for purpose' platform will provide a statement of the total investment by asset type and enables comparisons to be drawn between asset types and across asset classes. Real added value comes from year-on-year comparisons of asset valuations and enables the return on investment to be measured and repeated, trends can also be identified. The outputs become a major contributor to asset class based management and planning, and in future, integrated asset management.

The effect of different maintenance regimes can be predicted and analysed, for example, various intervention levels can be modelled to determine their impact.

Those authorities who 'get it right' will be able to demonstrate:

- Identification and closing of gaps in asset inventories in respect of quantum, accuracy and condition data
- Simulation of intervention frequencies and types (revenue and/or capital) to model impact on depreciated value
- The ability to simply but reliably model whole life costs over the life time of the asset
- Innovation in the deployment of maintenance and operations strategies
- Information to support funding submissions including Prudential Borrowing / PFI business case through demonstration of year-on-year deterioration of assets by value.

Local authorities that achieve DRC compliance early will not only meet legislative requirements but will benefit from optimal expenditure and investment in their highways assets.

EC Harris' track record in Highways Asset Management goes back over 15 years. We have been solely responsible for the valuation of strategic Highways Assets in the UK during that time and throughout have used our own HM Treasury compliant platform to conduct valuations.

For further information on how we can help you accelerate your DRC compliance contact Brian Fitzpatrick, Head of Highways.

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