Two sides of the same coin

mSCOA: Associated benefits to the municipal asset management life cycle

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Werner Welgemoed, I @ Consulting, e-mail: wernerw@iatconsulting.co.za, cell: 082 559 8875
1. What is asset management?
2. Which lifecycle activity? – project segment
3. Funding of lifecycle activities – fund segment
4. Function segment
5. Regional segment
6. Conclusions
What is asset management?

**Definition of asset management**

- The process of decision making, planning and control
- over the acquisition, use, safeguarding and disposal of assets to maximise their service-delivery potential and benefits,
- and to minimise their related risks and costs over their entire life.

Asset management is the business process of any capital-intensive organisation/municipality

mSCOA is the financial mirror dimension thereof
What is asset management?

- ID of problems/opportunities
- Net community benefit
- Optimum lifecycle cost
- Financial sustainability
- Risk within acceptable parameters
- Asset planning
- Asset creation or acquisition
- Operations
- Renewal
- Upgrading
- Maintenance
- Disposal

IMPLEMENTATION MECHANISMS:
- Programmes
- Projects
- Activities
Which lifecycle activity? – project segment

- **Accounting Group**
  - **Asset Class**
    - **Asset Sub-Class**
      - **Asset Group Type**
        - **Asset Type**
          - **Component Type**
            - **Sub Component Type**

**Typically for**
- **New and upgrading initiatives**
- **Maintenance and renewal initiatives**

**Roll Down**
**Roll Up**

**CAPEX**
**OPEX**

**Eg. PPE**
**Eg. Infrastructure**
**Eg. Water Network**
**Eg. Pump Station**
**Eg. Mechanical Plant**
**Eg. Pump**
**Eg. Bearings**
Typical components of a cross section of a road

<table>
<thead>
<tr>
<th>Component</th>
<th>EUL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earthworks</td>
<td>100</td>
</tr>
<tr>
<td>Road structural layer</td>
<td>80</td>
</tr>
<tr>
<td>Road surface</td>
<td>15</td>
</tr>
<tr>
<td>Road marking</td>
<td>4</td>
</tr>
<tr>
<td>Kerb</td>
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<td>45</td>
</tr>
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<td><strong>Total</strong></td>
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Typical lifecycle plan of a cross section of a road

- Pipe - stormwater
- Kerb Inlet
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- Road structural layer
- Earthworks

Component lives range from 4 - 100 years

Average life of facility is 34 years
Net community benefit
Optimum lifecycle cost
Financial sustainability
Risk within acceptable parameters

SOURCES OF FUNDING:
- **OPEX**
  - e.g. equitable share
- **CAPEX**
  - e.g. MIG
  - e.g. Borrowings
Regional segment – where will money be spend or benefits earned?
Regional segment

- Spatial Planning and Land Use Management Act
- National Development Plan
- Integrated Urban Development Strategy
- Urban Networks Strategy

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<thead>
<tr>
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Conclusions

1. Asset management is much more than GRAP compliance, it is the business of a municipality.

2. mSCOA is much more than accounting, it presents a coherent, multi-dimensional financial management framework that mirrors the asset management business framework.

3. Over time, it will provide real information, empower political office bearers, officials, communities and other stakeholders (e.g. regulators and investors).

4. Valuable tool to move local government towards both effectiveness and efficiency.
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- CAPEX
  - e.g. MIG
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Function segment

- Processing of applications
- New connections
- Metering activities
- Responding to network faults
- Restoration after forced interruptions
- Notice of planned interruptions
- Water quality

WATER DISTRIBUTION

SERVICE STANDARDS

UNIT COSTS & FREQUENCIES

TARIFF IMPACTS
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