

THE IMPORTANCE OF PROPERTY ASSET MANAGEMENT IN THE SPANISH PUBLIC SECTOR

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There are public entities that possess in their hands multiple property assets, that are difficult to manage, being, in many cases, buildings that are considered icons that contribute to the character of their surroundings or that take part of our historical heritage or have some kind of protection. It is difficult for the private sector to manage these assets, if in the public sector, we add the electoral cycle, the problems increase. At a public level, it is more complicated, since it should be understood that the planning of property assets and delivery do not correspond to the political cycles. In addition, policies change once established, perhaps with the development under construction, will inevitably have serious consequences on: the planning, cost and alignment of the building with the final needs of the asset. Therefore, it is important for all the stakeholders to realize that an approach is needed for the long-term management of property asset portfolios. To achieve this goal, we have developed a structured and programmed approach of Property Asset Management adapted to the public sector, in order to provide the best solutions.

Keywords: Town hall, Government, Portfolio, Infrastructure, Public services.

1 INTRODUCTION

The objective of this article is to analyze the possibilities of Property Asset Management in the Spanish public sector, given that the situation of this activity in Spain and more specifically in the public sector is, in general, non-existent. Local, regional and national entities often have traditional processes that are far from international practices in both public and private sectors. In Spain, there are numerous examples of poor Property Asset Management although there are always exceptions to the rule.

With all this information from the outset, many questions have arisen, about the Spanish situation in the public sector, among others:

- Is there a need to include Property Asset Management?
- Are there any advantages of including a Property Asset Manager?

2 STATE OF THE ART

An investigation was carried out on Spanish entities, at local, regional and national level, and their relationship with Property Asset Management to assess the problems.

We have also analyzed possible advantages of Property Asset Management in Spain, specifically within the public sector. We analyze below the following points:

- Territorial organization of Spain
- Current issues in asset management in the public sector
- UNE 178303 and ISO 5500
- Possible advantages of asset management in the public sector

2.1 Territorial Organization of Spain

According to Article 137 (ART137 2011) of the Spanish Constitution of 1978: “*The State is organized territorially in municipalities, provinces and in the Autonomous Communities that are constituted. All these entities enjoy autonomy for the management of their respective interests.*”

According to the Data contained in the Register of Local Entities Ministry of Finance and Public Administrations (SEAP 2016), Spain is structured in 17 autonomous communities, and 2 autonomous cities. Each autonomous community is formed by one or several provinces. There is a total of 50 provinces in the whole national territory. In turn, each province is divided into a variable number of municipalities. There is a total of 8,125 municipalities (INE 2016). The municipalities are the basic territorial entities in the territorial organization of Spain.

With regard to the principles of territorial administration, there are Principle of autonomy and Principle of financial autonomy.

2.2 Current Problems in Asset Management in the Public Sector

In the Community of Madrid, there are 179 municipalities, (INE 2016). These municipalities are under the umbrella of the Federation of Municipalities of Madrid (FMM 2015 and 2016) where we find 55 municipalities attached to the program of Smart Municipalities; Of these municipalities, less than a third are performing tasks aimed at improving asset management.

Taking into account that the population of Madrid is 6,433,221 over 46,438,422 in Spain. Madrid is one of the richest Autonomous Communities in Spain; we can say that less than 1/6 of the territorial entities are changing their traditional asset management to new, more sophisticated models. That is, the activity of Property Asset Management is practically non-existent.

Property assets are one of the slowest resources in the entire public sector to respond to changes, due to the complexity associated with the purchase, sale, lease, alteration or development of the property. Therefore, if a portfolio is poorly managed it will be perform below expectations and will not meet the demanding standards of the population. Some of the problems that we have found in local, autonomous and state entities are the following:

- Huge maintenance delays
- Energy-inefficiency
- Poor asset condition
- Assets with limitation to share with different authorities and / or departments
- Inefficient ownership acquisition
- Services inadequately contracted for construction or maintenance
- Inefficient use of capital and insufficient control of current expenditure
- Lack of data on the size of property asset portfolios with which they have

- Lack of details on the operation of each property asset
- Lack of interest on the part of senior managers as well as political interference in the planning of property assets
- Scarce financial analysis
- Short-term thinking
- Insufficiency of resources allocated to the process of management of property assets, etc.

It is worth mentioning that the description developed above is a generalization and there are always entities from the public sector that manage their assets magnificently.

2.3 UNE 178303 and ISO 55000

In May 2015, the Spanish standard UNE 178303 (AENOR 2015) was created and includes "Intelligent Cities. Asset Management". The National Standard specifies the requirements to establish, implement, maintain and improve a municipal asset by using a management system, with the purpose of allowing a Local Entity to have a systematic approach to achieve continuous improvement in its management, including all the elements that compose the inventory.

This national standard defines a set of coordinated and systematic activities, so that a Local Entity, in accordance with its strategic plan, can manage in an optimal and sustainable way: its assets, its performance, the risks and associated expenses throughout the Life cycle of the different assets of the city.

This standard applies to the management of physical assets and asset systems of the Local Entity. As standards for consultation refers to ISO 55000 - asset management (ISO 55000, ISO 55001, ISO 55002 2014).

2.4 Possible Advantages of Asset Management in the Public Sector

As described in the Royal Institution of Chartered Surveyors (RICS) information (2010), there are numerous examples of advantages being achieved in other countries with the implementation of Property Asset Management in the public sector. From this, we come to detail some of the possible advantages that we consider of interest for the public sector in Spain:

- **Instigate changes:** Changes in property assets serve as catalysts for organizational changes. In practice, organizational change needs help to overcome difficulties and achieve desired accomplishments. In addition, extremely long processes are not required, especially when a change in organizational culture is required.
- **Rationalization of assets:** A series of reports should be made on public sector property assets to understand what improvements could be made to them or if it is necessary to reduce the base of property assets as much as possible. The objective would be to reduce costs or the release of capital, as far as possible. We would not only talk of potential economic benefits but of improvements in the user experience - customer, productivity, recruitment, retention, branding and identity.
- **Collaboration for improvement:** Many public-sector agencies should work together and share spaces, to improve services, that is, higher performance at lower cost. This would initially have an impact on the communication services needed to carry out such communication. On the other hand, the exchange of property assets (buildings, facilities,

etc.) and the monitoring and evaluation will probably bring about changes in the management of very positive property assets.

In some countries, a National Public Property Map has been developed which would be a prerequisite for the exchange of property assets.

- **Savings and efficiencies:** In general, and especially in a time of crisis, there are financial constraints that require savings and efficiencies that are necessary to be carried out by public agencies. It is therefore necessary that property assets of the public sector are able to obtain reductions in current expenditures and to free up capital. This would require good planning in the future, allowing the financing to be reasonable, achievable and possible over time.
- **Evaluate and measure:** The effectiveness and efficiency of property assets should be evaluated and measured. To do this, clients must be educated so that they can synthesize the various requirements: control and adjust supplier performance, control total expenditure and assume strategic responsibilities for key data, etc.

Creation of a database of public property assets. Although it is possible to work in the short term with the lack of supplied data, in the long term it will be essential to have adequate data on property assets.

3 PROPOSAL FOR ACTIONS

In view of the information analyzed above, in Spain there are more than 8,200 territorial units that can manage their assets, of which, less than 1/6 are making changes towards asset management. The lack of units addressing the need to implement a Property Asset Management Plan is a serious problem and more rigorous control of the management of the assets needs to be implemented.

According to this situation, there are already initiatives such as UNE 178303 and ISO 55000, which try to alleviate or avoid the waste of resources. In the case of noncompliance of these standards we propose to implement some of the following activities aimed at improving Asset Management in the public sector:

- **Skills:** Investment in research, study and training in the public sector would be necessary to raise the profile and experience of the technicians about the activity of Property Asset Management.
- **Rapid Change and Flexibility:** The speed of change is important in order to deal with changes of a different nature (technological, social, economic, etc.) including the specific challenge of the public sector, political and democratic change.

The fact of not knowing what is going to happen is no reason to do nothing. However, it is an argument to say that we need to be flexible and light in our planning, delivery, and above all, our review processes.

- **Occupation of assets:** The best way to maximize property assets is to use a system that takes into account the occupancy capacity of those assets.
- **Regeneration and development:** Property assets are used, in general, for regeneration or for public policy objectives. The way in which it is used and the social and economic justification have to be clearly established. Often this is not done correctly implying that it reduces the ability to meet social objectives or does not have the true expected financial impact.

In the future, with greater economic constraints, public entities, especially at the local level, will use their land to achieve social and economic goals (job creation, economic development, shelter and affordable housing). This will be a fundamental aspect in the Property Asset Management.

- **Governance:** Good governance is an essential ingredient of Property Asset Management. Correct decision-making processes, clear accountability, responsibility, clear and comprehensive information as well as transparent measures. All of this is of paramount importance, especially in times when there is demand for social benefits and how financial savings can be achieved.
- **Sustainability:** Include sustainability as a very important aspect in the development of this activity.

4 CONCLUSIONS

The management of property assets in the public sector has hit the headlines in the last decade. The public sector needs to reduce its costs but without negatively affecting the efficiency and quality of the basic services that the population needs, which is a difficult task.

Economic constraints in the public sector should not mean cutting staff, outsourcing jobs, or eliminating services in order to be able to contain their spending ceiling. What is needed in reality is a change of strategy in the management of property assets that is fundamental to reach the objectives without undermining the benefits to the population.

In our opinion, there is a need for implementing many of the activities of Property Asset Management as well as a professionalization of it:

- The improvement of public services provided with a considerably lower capital expenditure.
- The rationalization of property assets through strategic planning.
- Rationalization of deadlines for small and / or large projects.
- Evaluation and measurement of results to ensure that progress is made as quickly and effectively as possible.
- Develop key elements of Property Asset Management: Planning, Delivery, Review, Organization, Leadership, Communication, etc.

The strategic management of property assets produces an improvement in the services rendered and therefore, politicians must understand that proper planning of property does not have to correspond with the political cycles.

In addition, changes inevitably lead to delivery time delays and, in all probability, will have to pay a higher price. It is therefore important for all stakeholders to realize that a structured and programmed approach is needed for the long-term management of public sector property asset portfolios in order to provide the best service solutions to the population.

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