An asset by any other name: A study of the nomenclature of assets for strategic local government property management.

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Abstract
This paper examines the nomenclature used to describe and classify types of assets within the requirements of strategic property management in local government where organisational and community strategic aspects must be considered. The paper identifies the rise of strategic property management in private and public sectors before reviewing existing local government property nomenclature systems. Empirical evidence of nomenclature in practice is then examined. As deficiencies in existing systems are identified a proposal is made for a nomenclature-classification system better suited to strategic local government property management. A comparison with existing systems is made to illustrate the new system’s efficacy.

Keywords: Assets, corporate property, CRE, local government, nomenclature, strategy

Introduction
Strategic corporate property management argues for the adoption of strategic management of property and its alignment with organisational strategies. This is true for corporate and for government organisations. For local government property management this means assessing the purposes of property from an organisational perspective. The question of how to classify or categorise such assets is problematic as this may be on the basis of financial status, physical characteristics, for rhetorical purposes, or on a purposive basis. Purposive classifications are the most useful classification for strategic management. When purposive local government property classifications have been proposed they have been incomplete or confused due to conflicts with nomenclature used in other classification systems. Examples of local government nomenclature in use are examined leading to the proposal of a purposive classification system based on an asset’s purposive relationship to the organisation, the municipal constituency as a better basis for strategic local government property management. The paper shows how the proposed classification system clarifies both nomenclature and classification.

Strategic management as a reason for requiring appropriate nomenclature
Corporate property or real estate (CRE) literature has over recent years argued for the adoption of strategic corporate property management (Roulac 1986;
Roulac & Cameron 1987; Roulac 2001) and its alignment with organisational strategies (Joroff, Lourgand et al. 1993; Nourse & Roulac 1993; Roulac 2001). The majority of the literature is focussed on the corporate sector, but government property management has also been of interest (Martindale 1997; Bond & Dent 1998; Deakin 1999; Brackertz & Kenley 2000; Tan, Then et al. 2000). A consequence of the argument for strategic management of property is that the property’s purpose requires consideration from an organisational strategic perspective.

This paper focuses on local government where typical organisational strategies are well encapsulated by the Arcadia Waters Vision Statement, for example:

“To enhance the quality of life of our community in a sustainable environment where we respect out heritage and value our future, using open and democratic government of the highest standards and efficiency” (Atherden 2003, p34)

The following eight generic corporate property strategies have been identified

- Occupancy Cost Minimisation;
- Flexibility;
- Promote human resource objectives;
- Promote marketing message;
- Promote sales and selling process;
- Facilitate and control production, operation, service delivery;
- Facilitate managerial process and knowledge work; and
- Capture the real estate value creation of the business (Nourse & Roulac 1993).

- In local government the following issues have been identified as being applicable
  - Financial, or cost criteria;
  - Community benefit, or service delivery from the asset;
  - Governance, including good management of the asset and accountable decision making incorporating balancing of the first two elements (Kenley & Heywood 2000); and
  - The implementation of higher level (as in State) government policy, as exemplified by ‘Best Value.’

The third of these issues contains an inherent asset preservation aspect. However, the first two issues that are more important when organisational and property strategy alignment is considered in local government.

It is an axiom of management that it requires classification systems. Such systems are used for managing information about the classified objects. Nomenclature is the labelling of classifications within those systems. Any nomenclature-classification system needs to reflect the underlying rationale for such a sorting of the objects. For local government strategic corporate property management the nomenclature-classification system needs to reflect the purposes of local government and the issues identified above.

\* A fictional statement from an ironic account of local government. It is based on the Australian Broadcasting Corporation’s television series *Grass Roots*. The statement manages to capture all the requisite dimensions found in real statements and strategic plans.
Existing nomenclature systems

The literature contains a number of naming and classification systems. However, it has been noted that there is no consistent approach to the categorisation of land and property assets across local authorities (Department of Transport Local Government & the Regions 1999). The confusion around definitions of assets is aggravated by the ‘complexity of the asset mix’ (Bishop 1997), the semantics of nomenclature where the same words are used with quite different meanings, and the rhetorical purposes the definitions are put to from time to time. A ‘mind-mapping’ exercise (Buzan & Buzan 2000) revealed the complexity involved.

An example of the semantic confusion is infrastructure. Bishop (1997) defines infrastructure as ‘public facilities that provide essential services.’ AMQ International, Skillmar Systems Pty Ltd et al. (1998, p.4) for the Victorian Department of Infrastructure define ‘infrastructure assets’ as:

‘Assets that are not replaced as a whole, but rather are renewed piecemeal by the replacement of individual components whilst maintaining the functioning of the asset as a whole. Infrastructure assets have indefinite lives. Economic lives are assigned to components of an infrastructure asset’.

Further definitions are:

“Fixed assets which are inalienable assets, expenditure on which is only recoverable by continued use of the asset created. Examples ... are highways and footpaths.” (Connellan 1997); and support services for an organisation’s business, with way of life in a municipality and municipal administration being analogous to business in this instance (Materna & Parker 1998).

Definitions such as AMQ’s, useful for their purpose of capturing permanent renewable assets of both building and engineering types, are so broadly inclusive as to remove any subtleties of type classification. They are also removed from the common usage (which more closely resembles Bishop’s and Connellan’s usages). Definitions of infrastructure serve to illustrate the possibilities for confusion in the nomenclature and yet hint at possible elements of a definition which is discussed in this paper’s nomenclature framework.

In addition to the semantic difficulties illustrated by infrastructure there are also conceptual issues that need to be untangled, for instance, financial (accounting and valuation), physical, and purposive typologies.

Within accounting, ‘assets’ has a specific usage that refers to how assets are captured for financial reporting purposes – as in, for instance, ‘current and non-current assets’. Valuation classifications are required for reporting asset values, capital charges for use and depreciation purposes (Connellan 1997). Bishop (1997) approaches the classification issue from the accounting direction through the use of ‘non-current assets’ to provide his most general (or highest) level of

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b Where a nomenclature term is used in text it is bolded.

c Itself another usage of the term.

d Connellan (1997) in turn cites the RICS (1995) Red Book which is the guide for property valuers operating in the UK. For its definition of accounting purposes for assets the Red Book in turn refers to the Chartered Institute of Public Finance and Accounting (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting.
classification. Thereafter, within Bishop’s explanation, physical types intrude in an attempt to classify the physical assets’ value in terms that reflect their roles as municipal assets – both physically and financially. It is unclear from Bishop’s textual definitions and examples whether he is referring to physical or accounting types and at times his terminology seems to be trying to be both simultaneously.

Connellan (1997), from a financial valuation basis, provides a clearer set of classifications based on purposes for, or use in supporting the organisation’s purposive ends: non-operational; operational (with 3 sub-classifications); community assets; and infrastructure assets.

Physical type refers to assets with similar physical characteristics. Parks are an example of physical type. Libraries are another type; sports pavilion another. Similarly, drawing from Bishop’s (1997) typology, heritage assets exhibit physical characteristics in that they are old (also inalienable and consequently valuable).

Definitions are further complicated by overlap of type and synonym.

Two examples of overlap by synonym are ‘land’ and facility. Land held by a municipality may include any or all of these – roads and footpaths, parks and gardens, undeveloped land, and the stuff underneath buildings. Land on occasions also includes the capital improvements physically connected to the land. Facility, in some usages, is used as shorthand for the land and any improvements and sometimes only refers to the improvement. Even in the most comprehensive definitions, such as Brackertz & Kenley (2002) where facility is defined as the union of the physical component (the building) and the council’s service delivery, the land and the situational context are swept up within the physical component.

Overlap by type is exemplified by parks and recreation assets. A park usually refers to an area that contains within it a number of capital improvements. These may include landscaping improvements of soft (planting) and hard (pavement) types. Parks may include buildings – sports pavilions and the like. They may include formally defined and constructed playing fields as well as fully developed stadia. Other improvements such as playgrounds are also often embedded within parks. Questions arise. For example: ‘At what level does the definition of asset or facility arise; the extant area or some sub-element embedded within the larger entity; or both in some sense that changes depending on the frame of reference?’

Returning to the purposes of property, which is of most interest for its strategic management, it has been noted that Connellan (1997) provides a purposive classification orientated from a financial valuation perspective. The UK Department of Transport Local Government & the Regions (1999) provides a further purposive categorisation from an organisational management perspective with operational and non-operational categories, omitting infrastructure as a separate high-level classification altogether. It must be said that these two purposive nomenclature-classifications both fail to fully engage with an assets purposes from strategic and community perspectives. Connellan’s (1997) community and infrastructure assets within his system being the exception.
Some recent experience with nomenclature and classification

This paper presents material from two empirical studies where nomenclature and classification have been issues. Recent research by the Corporate Real Estate and Asset Management (CREAM) Research Group at the University of Melbourne identified a hierarchy of property that local government property managers found useful in classifying their properties.

- Essential community properties;
- Essential operational properties;
- Surplus to strategic ends but investment valuable with good financial returns; and
- Surplus to strategic ends and under performing on all measures. (Kenley & Heywood 2000)

For the property managers, this hierarchy arose out of the strategic management issues identified earlier and linked with:

- Community and operational requirements;
- Availability of existing, or new, facilities; and
- Ongoing facility management.

A second study, of the City of Glen Eira's 2002-03 rates increase also featured nomenclature and definitions in the discourse around this process.

'Newton's Definition' of Community assets is that provided by the City of Glen Eira’s current Chief Executive Officer (CEO – Andrew Newton) in several forums over the process's life. The City of Glen Eira discussion paper, Community assets: Financial sustainability defines Community assets, somewhat rhetorically, as ‘shared assets,’ ‘public places,’ and ‘shared places’ and exemplifies these as ‘footpaths, roads, traffic controls and management, shopping strips, playgrounds, swimming pools, parks, libraries, street lights, aged care facilities and so on⁶ while suggesting that community quality of life and civilized life depends on these assets (City of Glen Eira 2002c, pp.1&2).⁷

This definition was repeated in the CEO’s presentation to the Community Forum of 16th April 2002 where Community assets were further subdivided as Social facilities and Engineering facilities. Field notes from the Forum do not specifically record further definitions of these, but the intent appeared to be that social facilities are land and buildings that contribute to the sense of society and well-being in the municipality, while engineering facilities are those more usually known as infrastructure assets such as roads, footpaths and drains.

The council's 2002-03 Budget, when presented in late May, was appended to the earlier Discussion Paper to further reinforce this asset definition (City of Glen Eira 2002d).

Other nomenclature from the rates process’s discourse largely featured the use of infrastructure as the classification used.

‘… the run-down state of some infrastructure …’ (Barrett 2002)

‘Glen Eira cannot expect a single generation to pay for decades of infrastructure neglect, including drains and footpaths, …’ (Rafferty 2002a) quoting the local MP

⁶ This list is an aggregation of listings on pp. 1&2 which have many commonalities, but some differences.
⁷ Others have also noted a connection between facilities and well being (Michalos, &. Zumbo 1999).
‘None of your nine Councillors is in any doubt that the ageing infrastructure in our City is in desperate need of either replacing or refurbishing.’ (Goudge 2002)

‘... investing most of the rest in local community facilities and infrastructure’ (Rafferty 2002a) quoting a City of Glen Eira spokesperson.

‘Firstly, many of the City's community facilities and infrastructure are now old’ (City of Glen Eira 2002b)

Other nomenclature in use included:
‘Community facilities’ in the last two citations above and below
‘I do accept that the city is confronted with decaying and out-dated community facilities.’ (Kerr 2002)

Public assets
‘Urgent works are needed on many of Glen Eira’s public assets …’ (McGrath & Cheeseman 2002); and

Capital works and Community projects
‘... significant rates debt made rates rises more likely and put pressure on funding for capital works and community projects ...’ (Heath 2002) quoting Brad Matheson, President of the Municipal Association of Victoria.

This recent discussion shows that there is a widespread use of infrastructure as a catch-all for all types of assets. However, Community assets has also been used for a similar purpose in the Discussion paper. Other nomenclature used in the public discourse further illustrated the problem that exists in nomenclature use. Several things may be garnered from the two studies presented. Firstly, there is a separation of operational, community specific and surplus assets. There is also an emphasis on ‘community’ (assets) in public presentations of the case for the rates rise. These points provide the basis for proposing a new Framework of asset classifications and nomenclature.

A Purposive Framework of Asset Definitions for Local Government Strategic Property Management
Because of the confused definitional situation described at length above and the need for nomenclature that adequately deals with the strategic aspects of local government property management, it is apparent that a suitable nomenclature-classification system would be useful. The proposed framework (Figure 1) is based on the mind-mapping process described earlier and is supported by the empirical research and the literature.
A first point of distinction is between financial and non-financial aspects of the asset, as utilised by Brackertz & Kenley (2000) as the basis of the Service Balanced Scorecard. A financial asset relates to the monetary value ascribed to a physical entity. The financial aspect may be further sub-dividing into accounting and valuation conceptualisations of the asset. The accounting concept refers to the readiness of conversion to cash for the purposes of reporting in the balance sheet (Bishop 1997). Valuation is the process of arriving at monetary values for the asset (often for accounting purposes).

Within the non-financial aspects of assets there are:
- **physical aspects** that include location and the asset as a tangible object. A physical asset, most usually, refers to inanimate constructed or manufactured artefacts rather than animate objects, though there has been recent anecdotal stories of zoological parks attempting to value their wildlife exhibits for accounting purposes.
- **non-physical aspects** such as community spirit, the intellectual capital of the municipal organisation, community support for an asset (Brackertz & Kenley 2000), and cognitive representations.(Lynch 1960; Veitch & Arkkelin 1995; Gifford 1997)
- **purposive aspects** which captures the use of an asset to an organisation and is, as previously noted, most useful when adopting a management consideration of assets (as is the situation in this paper) as it allows capture of both strategic and operational dimensions of assets.

This paper’s proposed nomenclature-classification system integrates both the physical and purposes non-financial aspects described above. The system contains 5 broad classifications of physical assets, based on their purposive relationship to the organisation and the municipal residents:
- Administration;
Service delivery;
Infrastructure;
Community support; and
Non-operational.

Each class may include fixed assets, such as buildings, or non-fixed ones such as vehicles, machinery and furniture and fittings.

Table 1 below shows these classifications and plots their relationship to other classification types and systems discussed in this paper.

Administration assets are those that support the council’s bureaucratic and management functions. These assets would include: offices and town halls; fittings and furniture; depots for asset maintenance, and impounding stray animals; plant and equipment vehicles, other vehicles; and council records and archives. The Department of Transport Local Government & the Regions (1999) has a category similar to this definition. Administration is a useful definition where assets such as town halls, depending on how one wishes to view the asset, may be seen as contributing to service delivery (council offices), or as assets intended to be held in perpetuity with no specifically determinable life (as civic symbols), or assets that are inalienable that provide a return on expenditure through use (infrastructure). Connellan’s (1997) classification system may use any one of several possibilities to classify assets that are most usually for administration. Bishop (1997) includes administration assets within his set of operational assets.

The next 3 definitional categories considered in this definitional framework are a range of assets that provide ‘public goods.’

If the ‘business’ of local government is delivery of services to its municipality then Service delivery assets are the ‘production’ assets of the municipality. At the loosest level of definition, Service delivery may include the provision of any kind of good, or amenity, to the community. More concretely, if Service delivery is the goods and services of the municipality then Service delivery would include such functions as library services, residential accommodation, child care, aged care and rubbish collection. Within the current paradigm of what government is about there is often a fee for service. Department of Transport Local Government & the Regions (1999) provides two service delivery categories – operational direct service and operational indirect service with the distinction dividing on lines of service production for consumption, whereas indirect service refers to the less tangible level that is defined as Community Support assets in this framework.

Both Bishop and Connellan include service delivery assets in their operating assets with no further sub-level of classification, though Connellan does allow for services delivered to be statutory or discretionary (Bishop 1997; Connellan 1997).

The definition of what constitutes service is blurred where the municipality owns utilities – like power and water. For this framework’s definition the provision of the electrical power or the water constitutes the service delivery, and the physical delivery or distribution system and the utility production assets more usually count as infrastructure.
Infrastructure assets are essential service assets that support and facilitate the municipality’s way of life. This class of asset has already been discussed at some length. The widespread use in the City of Glen Eira rates study suggests that the term enjoys a common usage and is warranted for inclusion in this framework with some clarification. Infrastructure may be defined as being:

- ‘permanent’, that exist in relative perpetuity as a whole (Connellan 1997; AMQ International, Skillmar Systems Pty Ltd et al. 1998);
- renewed on a component by component basis while still continuing to function as a whole (AMQ International, Skillmar Systems Pty Ltd et al. 1998);
- essential services (Bishop 1997) or, more usually, the distribution systems for them;
- ‘public’ facilities (Bishop 1997) which may not necessarily be in public ownership; and engineering assets as opposed to building assets (City of Glen Eira CEO at Community Forum 16th April 2002); and
- formerly known as ‘public works’ (Price 1997).

Infrastructure assets are some of the big issues in local government. For instance, footpaths generate as much complaint as any other type of local government asset (City of Glen Eira 2002a). Often use of the infrastructure asset does not entail any fee or charge as expenditure is recouped through the use of the asset (Connellan 1997). It is, however, not unusual for charges to be levied for acquisition or development of the asset. An example is a road construction project where adjoining landowners are levied to contribute to the cost of improving their property through improved access or amenity, but subsequent use of the road is at no cost to any user. Infrastructure assets typically include the road network with sub-elements of footpath (or sidewalks), road pavements, bridges and lighting; drains – stormwater and sewer reticulation and treatment; utility distribution networks and assets for the production of a utilities’ product. The Department of Transport Local Government and the Regions omits infrastructure completely as a high-level categorisation, though it may be included in indirect service property (Department of Transport Local Government & the Regions 1999). There may be instances (in the case of utilities) where the asset may also be classified as a direct service property. Bishop adds parks, gardens and playing fields to his infrastructure classification as they support the municipal way of life but these assets (Bishop 1997), for all the public good they provide, arguably, fail to meet the criteria of essential services and may be better classified elsewhere.

Community Support assets provide the most generalised or nebulous forms of public good. This definition includes those assets that contribute to quality of life and the sense of community as a cohesive, communing, supportive whole. They help to define the local identity and place (Local Government New Zealand 2001). Assets in this definition include cultural and recreational assets. Local government owned galleries, theatres and performance spaces; parks and gardens; recreation buildings; and clubrooms would all fall into this classification. Community Support assets provide a service to the community through public good or amenity rather than deliver service to the community for use or consumption. The definition corresponds closely to the Department of Transport Local Government and the Regions’ (1999) category of ‘operational indirect service property’ The definition would also include Bishop’s ‘heritage
assets,’ being those cultural, historical and environmentally significant that are preserved (held in perpetuity) (Bishop 1997).

The final definitional category to refer to are those assets held by local government that are ‘not directly occupied, used or consumed in the delivery of services’ – **Non-operational** assets (Connellan 1997, 25). These are properties held for investment purposes; (Connellan 1997; Department of Transport Local Government & the Regions 1999) surplus to requirements (Connellan 1997; Department of Transport Local Government & the Regions 1999), either for sale or redevelopment (Connellan 1997); or as vacant land (Department of Transport Local Government & the Regions 1999).

**Comparison with existing nomenclature-classification systems**

The proposed Framework has similarities to that offered by the Department of Transport Local Government & the Regions (1999) but differs in that its nomenclature more clearly describes the purpose that an asset class serves in the municipality. The efficacy of this proposed nomenclature-classification may be shown by plotting its classes against other classification systems already described in this paper or against additional classes from the literature and the empirical work noted and defined below (Table 1).

**Table 1** – Matrix of local government asset types

<table>
<thead>
<tr>
<th>Purposive relationship to municipality (This paper’s system)</th>
<th>Other classification types and systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>Non-current assets</td>
</tr>
<tr>
<td>Administration</td>
<td>●</td>
</tr>
<tr>
<td>Service delivery</td>
<td>●</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>●</td>
</tr>
<tr>
<td>Community support</td>
<td>●</td>
</tr>
<tr>
<td>Non-operational</td>
<td>●</td>
</tr>
</tbody>
</table>

**Legend**

Certainly included ●

Probably included ○

Some may be included Ø

Excluded x

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a. Bishop 1997
b. Connellan 1997
c. Newton 2002
d. Onyx & Bullen 2000
e. Brackertz & Kenley 2002
f. Dept of Transport Local Government and the Regions 1999

g. Price 1997
Community assets has been utilised by Bishop (1997) and Connellan (1997) and ‘Newton’s Definition’ has been discussed in relation to the empirical work. Bishop’s (1997) Community assets which as a superset of infrastructure and heritage assets is now a redundant, though other’s definitions may still be useful (Connellan 1997).

Social assets are yet another contended definition or categorisation. The City of Glen Eira CEO at Community Forum 16th April 2002 implied a definition in terms of contribution to quality of life and social support. Onyx & Bullen (2000) in defining ‘social capital’ talk about ‘the commons’ as being a ‘pooled common resource, owned by no one, used by all’. Through its shared ownership and the ‘combined effect of trust, networks, norms and reciprocity creates a strong community’ (Onyx & Bullen 2000, 25). A social asset is one that is contributing to this sense of community as a cohesive, communing, supportive whole by providing social outcomes in areas such as quality of life, social justice, or social cohesiveness.

Property assets are real assets, that is, land and capital improvements on that land.

Engineering assets have been previously defined in the discussion of infrastructure’s definition.

Operational assets have also been discussed at length within this framework’s purposive definition where they primarily assets for service delivery.

Non-current assets is the definition used by Bishop (1997) as the highest level category for his classification based on the financial reporting status of an asset.

Facilities assets is the definition of Brackertz & Kenley (2000 & 2002) used to conflate the physical entity and the service delivery from that physical entity.

The proposed purposive Framework is comprehensive. Only Bishop’s classification system, which is financially centred, encompasses all the new categories. The generic ‘property’ classification is found in nearly all classifications, though as it is generic it also lacks strategic applicability.

The corollary to comprehensiveness is to find specificity of purpose, as represented by a single ‘●’ in any of the columns in Table 1. Multiple ‘●’s show that multiple purposes are present with mixed strategic purposiveness. Only the Department of Transport Local Government & the Regions’ two Service assets are found to have a single purpose classification.

Conclusion

Local government strategic property management encompasses financial or cost management aspects, aspects of governance and decision-making about the assets, and community benefit and service delivery aspects. However, it is the asset’s purpose for the organisation and the community that are the key to understanding the strategic basis of considering the asset. As a result existing nomenclature and classification systems in local government property management have been examined and found to be inadequate in describing the full gamut of the purposes of local government strategic property management.

\[\text{8 It may be noted that real is operating in two senses here, as in tangible and as ‘real’ estate.}\]
To rectify this classification deficiency this paper proposes a nomenclature-classification system that is based on an asset’s purposive relationship to the organisation and the community. A comparison with existing systems is made to illustrate the efficacy of the system proposed in this paper.

Possible future research could extend this concept of purposive classification of assets for strategic purposes to other contexts.

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