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Immovable Asset Management in National and Provincial Government

Guideline For Custodians Custodian Asset Management Plans

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Table of Contents

Glossary of Terms Relevant to Immovable Asset Management	3
Part 1: Background and Introduction	5
Part 2: GIAMA Principles	6
Principal objective of a Custodian.....	6
Key principles and outcomes	6
Part 3: Immovable Asset Planning	7
Immovable asset management planning by Users	7
Immovable asset management planning by Custodians	7
Part 4: Composition of a Custodian Asset Management Plan	8
Section 1: Introduction	8
Section 2: Portfolio strategy and management plan	9
Section 3: Immovable asset performance summary	9
Section 4: Immovable asset lifecycle management plans	9
Section 5: Acquisition plan.....	10
Section 6: Maintenance plan	10
Section 7: Disposal plan	11
Section 8: Budget and funding of immovable asset activities	11
Section 9: Plan Improvement and monitoring.....	12
Part 5: Process for preparing a C-AMP	13
Introduction	13
Process 1: Compile portfolio profile.....	13
Process 2: Compile asset performance report	14
Process 3: Lifecycle Planning	16
Process 4: Conduct portfolio analysis	16
Process 5: Develop Works Plans.....	17
Process 6: Develop asset management budget	19
Part 6: Organisational Support	20
Part 7: Templates for preparing a C-AMP	21
Template 1: User Needs Analysis (Annexure 1 of C-AMP)	22
Template 2: Asset Performance Management Plan (Annexure 2 of C-AMP)	23
Template 3: Asset Lifecycle Plan (Annexure 3 of C-AMP)	24
Template 4: Portfolio Analysis (Annexure 4 of C-AMP)	25
Template 5.1: Capital Projects (New, Upgrades and Refurbishments) (Annexure 5 of C-AMP).....	26
Template 5.2: Capital Projects Budgets (Annexure 6 of C-AMP)	27
Template 6.1: Leasing Plan (Annexure 7 of C-AMP)	28
Template 6.2: Leasing Budgets (Annexure 8 of C-AMP)	29
Template 7: Maintenance Plan (Annexure 9 of C-AMP)	30
Template 8.1: Disposal Plan for State-owned Assets (Annexure 10 of C-AMP).....	31
Template 8.2: Termination of Leases (Annexure 11 of C-AMP).....	32
Template 9: Summary Budget (Annexure 12 of C-AMP)	33
Template 9.1: Capital Budget (Annexure 13 of C-AMP).....	34
Template 9.2: Leasing Budget (Annexure 14 of C-AMP)	35
Template 9.3: Maintenance Budget (Annexure 15 of C-AMP)	36
Template 9.4: Property Rates Budget (Annexure 16 of C-AMP)	37
Annexure A: Asset Types	38
Annexure B: Asset Categories	39
Annexure C: Methodology for determining functional performance of immovable assets	40

Glossary of Terms Relevant to Immovable Asset Management

Acquisition means:

- (a) for national government, acquisition through construction, purchase, lease, acceptance of a gift, expropriation, exchange or transfer of custodianship between custodians in that sphere of government; and
- (b) for provincial government, “acquire” as defined in the relevant provincial land administration law or transfer of custodianship between custodians in that sphere of government.

Best value for money means the outcome of considering evaluation criteria that includes financial, non-financial (e.g. environmental, heritage & cultural benefits) and socio-economic benefits.

Custodian means a national or provincial department designated in terms of GIAMA that must plan, acquire, manage and dispose immovable assets.

Disposal means any disposal contemplated in the State Land Disposal Act, 1961 or a provincial land administration law.

Full and true cost is the total and actual cost of providing an immovable asset to a User and include all lifecycle costs as described in Part 4 of this document.

Immovable Asset means any immovable asset acquired or owned by government. Immovable assets are further described as land and any immovable improvement on that land, and which have enduring value and consist of assets of residential, non-residential or infrastructure nature and include machinery and equipment that have been installed and are an integral part of immovable assets and include all assets both state-owned and leased. The application of the definition means that the types of assets listed below, will be construed to be immovable assets for the purposes of this guideline.

- (c) Land including but not limited to developed, undeveloped, vacant, cultivated, non-useable or inaccessible land.
- (d) Buildings including but not limited to office accommodation, prison buildings, police stations, courts, schools, hospitals, and houses.
- (e) Rights in land including servitudes, “right to use”, leases.
- (f) Infrastructure including but not limited to roads, harbours, railway lines, airports, transmission lines, dams and pipe lines.
- (g) Machinery, plant and equipment including but not limited to pump stations, machinery and irrigation systems for as far as such machinery, plant and equipment are construed to be immovable in terms of the common law applicable to property.
- (h) Conservation, cultural and heritage assets including but not limited to monuments, historical sites, heritage sites, conservation areas and sites of scientific significance.

Immovable Asset Management means those management processes, which ensure that the value of an immovable asset is optimised throughout its lifecycle.

Inspection means a physical visit to a site to visually or technically inspect the asset or components of the asset. An inspection includes a form of measurement either empirical, per test equipment or evaluation of a suitably qualified person. Inspections may comprise:

- (a) regular inspection as per manufacturer specification or guarantee;
- (b) compliance inspection works inspector as per health & safety and manufacturers requirements; or
- (c) comprehensive inspection by a built environment professional to provide a professional opinion of the functionality or condition of an immovable asset (normally only as part of an options analysis).

Investment asset means an immovable asset which is held by a custodian for purposes other than immediate service delivery and may include assets:

- (a) of significant historic or heritage value;
- (b) held for future service delivery; or
- (c) that may in future be of significant economic value to the state.

Lifecycle means the National Treasury prescribed period (per asset class) during which a custodian could expect to derive economic benefits from the control of an immovable asset.

Maintenance means all work on existing immovable asset that is undertaken to:

- (a) prevent deterioration and failure;
- (b) restore the immovable asset to its specified level of operation;
- (c) restore the physical condition to specified standards;
- (d) recover the immovable asset from structural and service failure; and
- (e) partial equivalent replacement of components of the immovable asset.

Immovable asset maintenance excludes:

- (a) improvements and upgrading to meet new service capacity or functions;
- (b) refurbishment to new condition to extend the capacity or useful life;
- (c) replacement of major components to extend the capacity or useful life;
- (d) upgrading to meet new statutory requirements;
- (e) operational tasks to enable occupancy use (e.g. cleaning, security, waste removal);
- (f) supply of utilities (energy, water and telecommunications);
- (g) construction of new assets; and
- (h) major restoration as a result of natural and other disasters.

Market value means the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

Tenant installation means any furnishes and fittings (including computer networks, electrical cabling and security installations) that customise an immovable asset for use by a specific user.

Useful life means the period during which a User derives benefit from the use of an immovable asset

User means a national or provincial department that uses or intends to use an immovable asset in support of its service delivery objectives (and includes a custodian for an immovable asset that it uses or intends to use in support of its own service delivery objectives).

Part 1: Background and Introduction

1. The Government Immovable Asset Management Act (Act 19 of 2007) commonly referred to as GIAMA, was promulgated on 27 November 2007.
2. GIAMA calls for more efficient and effective use of immovable assets by government and places an obligation on accounting officers to prepare Immovable Asset Management Plans to ensure prudent management of such assets. GIAMA provides for mechanisms to manage immovable assets in line with the requirements of the PFMA, taking cognisance of the unique character of immovable assets, particularly the long lifecycle of such assets.
3. The objectives of this Act are to:
 - (a) provide a uniform immovable asset management framework to promote accountability and transparency within government;
 - (b) ensure effective immovable asset management within government;
 - (c) ensure coordination of the use of immovable assets with service delivery objectives of a national or provincial department;
 - (d) optimise the cost of service delivery by:
 - (i) ensuring accountability for capital and recurrent works;
 - (ii) managing immovable assets throughout their lifecycle;
 - (iii) ensuring efficient utilisation of immovable assets;
 - (iv) maintaining existing immovable assets;
 - (v) protecting the environment as well as the cultural and historic heritage; and
 - (vi) improving health and safety in the working environment.
4. GIAMA distinguishes between the roles of Users and Custodians of immovable assets. Users utilise immovable assets to give best effect to their functions and therefore must produce a User Immovable Asset Management Plan (U-AMP) to ensure:
 - (a) accountable, fair and transparent management of immovable assets;
 - (b) effective, efficient and economic use of immovable assets;
 - (c) reduced overall cost of service delivery; and
 - (d) reduced demand for immovable assets.
5. Custodians are responsible for all activities that are associated with common law ownership and therefore must produce a Custodian Immovable Asset Management Plan (C-AMP) to ensure that immovable assets are:
 - (a) efficiently and effectively managed throughout their lifecycle;
 - (b) provided in a transparent and cost effective (best value) manner to meet the service delivery requirements of Users;
 - (c) maintained in the state in which it would provide the most effective service;
 - (d) assessed in relation to their performance, suitability, condition, as well as the effect thereof on service delivery; and
 - (e) disposed of, if the assessments so indicate, at best value for money to the state, in respect of financial and/or social returns.

Part 2: GIAMA Principles

Principal objective of a Custodian

6. The principal objective of a Custodian is to provide immovable assets to Users to meet their service delivery objectives.

Key principles and outcomes

7. The Custodian must ensure that immovable assets function in a manner that supports efficient and effective service delivery by the User.
8. The User and the Custodian must jointly ensure that immovable assets match the service delivery strategies of the User.
9. The User must ensure that such assets are used efficiently and effectively.
10. The User must, where feasible, identify alternative service delivery methods that do not require immovable assets, to minimise the demand for immovable assets.
11. An immovable assets become surplus to a User if it:
 - (a) does not support its service delivery objectives at an efficient level; and
 - (b) cannot be upgraded to that level.
12. When considering the acquisition of an immovable asset the Custodian must:
 - (a) assess all options (including existing state-owned assets);
 - (b) determine which is most viable based on lifecycle costs; and
 - (c) ensure that the lifecycle cost is justified relative to the cost of the service that the User must deliver.
13. The Custodian must ensure that the state realises the best value for money when an immovable asset is acquired or disposed of.
14. When considering the disposal of an immovable asset the Custodian must determine whether the asset concerned can be used:-
 - (a) by another User or jointly by different Users;
 - (b) in relation to the social development initiatives of government; and
 - (c) in relation to government's socio-economic objectives, including land reform, black economic empowerment, alleviation of poverty, job creation and the redistribution of wealth.

Part 3: Immovable Asset Planning

15. The Custodian, in line with the prescripts the Public Service Act, 1994 and GIAMA, should determine a portfolio strategy for the immovable assets under its control. The purpose of the portfolio strategy is to determine a prioritisation framework for the improvement and management of the immovable assets. Such a portfolio strategy should take cognisance of national and provincial development strategies, adhere to the key principles of GIAMA and should also reflect on specific issues such as:
 - (a) Sustainability of the portfolio from a financial perspective, taking account of amongst others heritage obligations, environmental impact, occupational health & safety and energy imperatives.
 - (b) Macro-economic factors, Property and Construction Industry Development Programmes (with reference to broad-based black economic empowerment and contractor development) and prevailing and projected market factors in the context of finding a balance between new investments in state-owned immovable assets, public private partnerships and leasing from the private sector.
 - (c) The rationale and cost of holding investment assets or disposing of surplus immovable assets.
16. Custodians and Users of immovable assets must implement a process for the preparation of Immovable Asset Management Plans. Users will prepare U-AMPs and Custodians will prepare C-AMPs.

Immovable asset management planning by Users

17. The accounting officer of a User must, jointly with the Custodian:
 - (a) assess the utilisation of its immovable assets in terms of service delivery objectives;
 - (b) assess the functional performance of its immovable assets;
 - (c) prioritise the need for repair, upgrade or refurbishment of immovable assets;
 - (d) plan for future immovable asset needs;
 - (e) communicate these needs to the Custodian in a structured fashion; and
 - (f) secure funds to pay for the utilisation of immovable assets.

Immovable asset management planning by Custodians

18. The accounting officer of a Custodian must:
 - (a) assist Users in the compilation of U-AMP's in accordance with section 13(2) of GIAMA;
 - (b) consolidate and assess Users' needs in terms of total asset portfolio by means of options analyses (best value);
 - (c) determine full cost of immovable asset use (including cost to plan, acquire, operate, maintain, replace, reinstate or dispose of assets);
 - (d) plan for implementation of acquisition, repair, maintenance, refurbishment and disposal of assets;
 - (e) monitor performance of assets in terms of value, utilisation, full lifecycle costs, condition, occupational health & safety and service reliability;
 - (f) plan to provide appropriate assets to Users to fulfil service delivery needs at true cost.

Part 4: Composition of a Custodian Asset Management Plan

19. The purpose of a Custodian Asset Management Plan (C-AMP) is to:
 - (a) review the lifecycle requirements of all immovable assets in a Custodian's immovable asset portfolio on a regular basis;
 - (b) respond to the needs of Users as reflected in their U-AMPs; and
 - (c) plan for the implementation of activities that will maximise the service delivery potential of the portfolio over its lifecycle.
20. When preparing a C-AMP, the Custodian must:
 - (a) thoroughly examine the need for immovable assets as stated by the User;
 - (b) consider the use of state-owned (all spheres of government) and privately owned immovable assets, as well as public private partnerships, as immovable asset solutions;
 - (c) evaluate options by systematically weighing-up the costs and benefits; and
 - (d) record all options analysis to substantiate the decisions that have been made.
21. Prioritisation of asset management activities must balance the need for new assets against the performance of current assets to determine acquisition, maintenance and disposal priorities.
22. The C-AMP should comprise the following sections:
 - (a) **Section 1:** Introduction
 - (b) **Section 2:** Portfolio strategy and management plan
 - (c) **Section 3:** Asset performance summary
 - (d) **Section 4:** Asset lifecycle management plans
 - (e) **Section 5:** Acquisition plan
 - (f) **Section 6:** Maintenance plan
 - (g) **Section 7:** Disposal plan
 - (h) **Section 8:** Funding plan and budget requirements
 - (i) **Section 9:** Plan improvement and monitoring

Section 1: Introduction

23. Section 1 of a C-AMP, should summarise the overall strategic intent of the Custodian regarding the management of its portfolio. The Custodian must set objectives to improve the overall performance of its asset portfolio and how it is going to measure itself to achieve such objectives, by addressing:
 - (a) improvement strategies;
 - (b) improvement objectives and targets; and
 - (c) performance measures.

Section 2: Portfolio strategy and management plan

24. Section 2 of the C-AMP should provide an overview of the portfolio strategy, with specific reference to the prioritisation framework for asset management activities in response to national priorities and each User's service delivery framework.

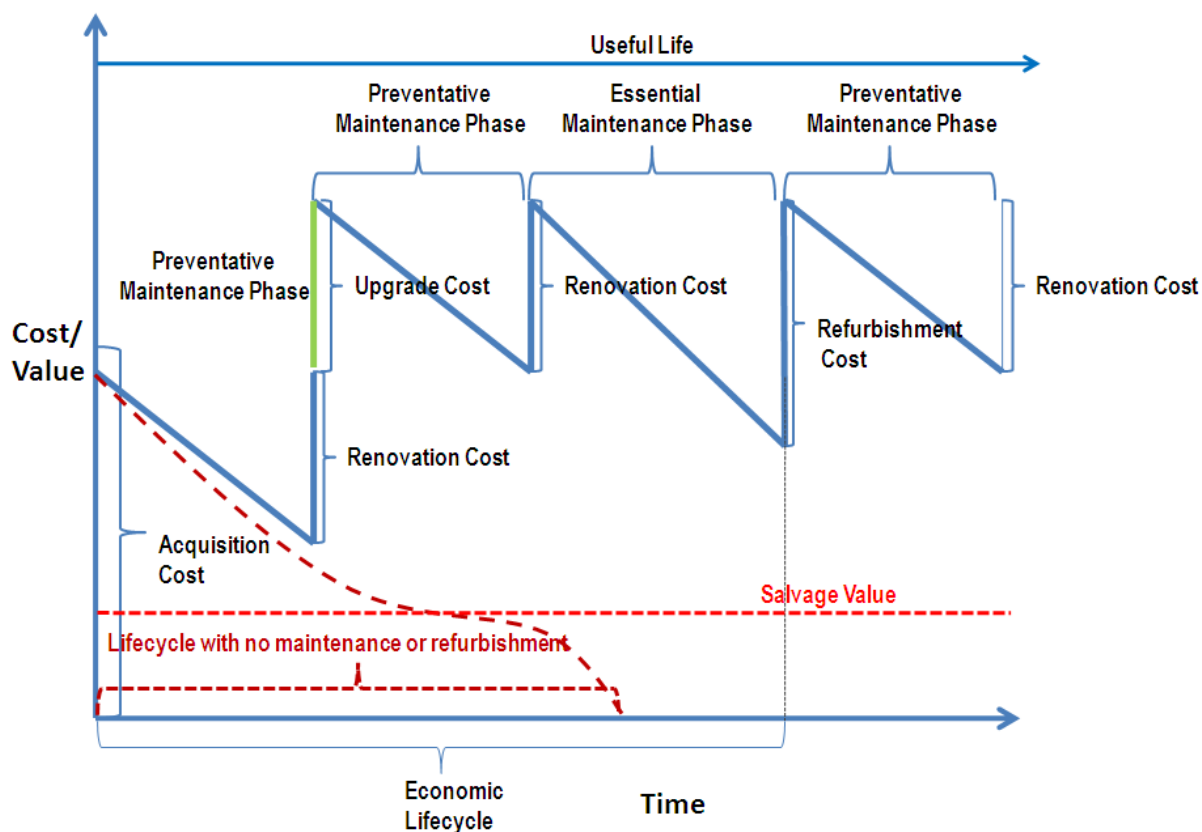
Section 3: Immovable asset performance summary

25. Section 3 of the C-AMP should address the asset performance summary for all the assets in a Custodian's portfolio. The asset performance summary should provide the baseline against which immovable asset decisions are made. Custodians must establish and maintain management processes to monitor the performance and regularly assess the condition of the immovable assets under their control. This section should include an analysis of the Users' perspective of the functional performance of assets, as well as the Custodian's analysis based on technical condition assessments.
26. Protecting service delivery potential and addressing health & safety concerns are priorities when making decisions about an immovable asset. It is very important, therefore, that asset performance be appropriately reviewed and evaluated to verify that required outcomes are being achieved.

Section 4: Immovable asset lifecycle management plans

27. Section 4 of the C-AMP must include a management plan for each immovable asset throughout its lifecycle. An immovable asset lifecycle is a financial concept defined as the period during which a Custodian would receive financial benefit from the immovable asset.
28. Figure 1 below illustrates the key concepts of an immovable asset lifecycle
- (a) The immovable asset is obtained at an initial acquisition cost. Ordinary use of the asset leads to wear and tear, thus requiring preventative maintenance to ensure that deterioration remains within the parameters of the asset's required performance.
 - (b) After an initial phase (7-10 years for buildings) the asset requires renovation to reinstate it to its original state, followed by the next phase of preventative maintenance.
 - (c) During a lifecycle the asset may also be upgraded or extended which would increase the value of the asset.
 - (d) The asset could be renovated for a second or a third time. At a particular point in time, certain of the systems supporting the asset are likely to fail. These systems are typically air conditioning plant, boilers, etc. The asset will now require a refurbishment which may involve a major overhaul of all the building systems and in some cases replacement of such building systems. This point is generally reached after about 25 years for buildings, which also marks the end of the economic lifecycle of the asset.

Figure 1: Lifecycle concepts of an Immovable Asset



(e) The useful life of the immovable asset typically extends beyond this point and after refurbishment, a new economic lifecycle will commence. Some well known immovable assets, such as the Union Buildings, are already in their fifth financial lifecycle.

29. The dashed curve denotes the lifecycle of the immovable asset should no maintenance be done on the asset, while the horizontal dashed line indicates the salvage value of the asset. Once the value of the asset has deteriorated below the salvage value, the cost to refurbish or repair the asset is generally more than the cost to construct a new asset.

Section 5: Acquisition plan

30. Section 5 of the C-AMP addresses the planned acquisitions by the Custodian. The acquisition plan must cover:
- (a) all new assets to be constructed or purchased (including the acceptance of donations);
 - (b) any new leases (including extension of existing leases after the lease contracts have expired); and
 - (c) any existing asset that requires capital works such as renovation, upgrade, extension or refurbishment.

Section 6: Maintenance plan

31. Section 6 of the C-AMP must summarise the maintenance plan of the Custodian. Through its maintenance plan, a Custodian should strive to optimise the lifecycle of its assets whilst ensuring that the service delivery objectives of the User are met.
32. The Custodian's maintenance strategy should consider an appropriate balance between

preventative and essential maintenance activities to prevent the undue deterioration of assets. Refurbishments, renovations and major repairs (which are capital activities) should be used to improve the overall condition of the portfolio.

33. In this context, it is recommended that Custodians implement the following strategies to maintain the condition and value of their assets.
- (a) **Preventative maintenance** is undertaken at predetermined intervals for technical, statutory or reliability considerations. The major focus here is plant and equipment, but will also at regular intervals include the electrical, mechanical and civil services. Preventative maintenance is focused at keeping the immovable asset at the current condition level through regular inspection, servicing and repair.
 - (b) **Essential maintenance** is a process whereby maintenance activities is only undertaken to ensure that statutory requirements are met and that breakdowns that renders the facility unusable is repaired. Essential maintenance is appropriate for immovable assets that are to be replaced, refurbished or disposed.
34. The following maintenance activities by Custodians are essential to minimise the lifecycle cost of an immovable asset:
- (a) **Inspections** - regular inspections must be conducted on critical components or elements such as plant and equipment to ensure that it functions as intended in the manufacturer's product and guarantee specification or where applicable in terms of the Occupational Health & Safety legislation.
 - (b) **Servicing** - regular servicing of components (e.g. air conditioning, elevators, etc.) as per manufacturer's product and guarantee specifications or where applicable in terms of the Occupational Health & Safety legislation. This is normally measured in operating hours.
 - (c) **Repair** - means actions required to reinstate a component of an immovable asset to its original state when such a component fails due to ordinary use.

Section 7: Disposal plan

35. Section 7 of the C-AMP should include all assets identified for disposal, with specific reference to the rationale for the disposal decision and alternative uses considered. Methods of disposal that should be considered by the Custodian include:
- (a) sale or letting by public tender, public auction or private treaty;
 - (b) donations; and
 - (c) transfer or letting of assets to other government entities or spheres of government.
36. When preparing an immovable asset disposal plan the Custodian should:
- (a) prepare and evaluate proper costing to support the selection of the most cost-effective disposal methods;
 - (b) identify those areas most susceptible to fraud or risks, and introduce appropriate preventive measures;
 - (c) monitor and evaluate disposal performance regularly for compliance with the disposal policies and objectives.

Section 8: Budget and funding of immovable asset activities

37. In section 8 of the C-AMP, Custodians should outline their overall funding requirement and consider the options available for funding both capital and current expenditure. Custodians should consider all activities that require funding. Custodians should acquaint themselves with the budget process prescribed by National Treasury. In this context, capital and current expenditure are used as determined by National Treasury in the Standard Charter

of Accounts from time to time.

Section 9: Plan Improvement and monitoring

38. In section 9 of the C-AMP, Custodians should identify:
 - (a) improvements in the way that a C-AMP should be compiled; and
 - (b) in conjunction with Users, improvements in the way a U-AMP should be compiled.
39. The above information will enable periodic improvements to both U-AMP and C-AMP guidelines.

Part 5: Process for preparing a C-AMP

Introduction

40. The process of compiling a C-AMP is integral to the strategic planning process since immovable assets facilitate the achievement of service delivery objectives. Immovable asset planning should form an integral part of a department's strategic planning process. U-AMPs and C-AMPs should address budget requirements for two MTEFs. Immovable asset planning as part of the strategic planning framework (and MTEF) addresses the long-term implications of immovable asset decisions and allows time for appropriate responses to be developed to Users' needs.
41. The useful life of immovable assets generally is in excess of sixty years, therefore spanning many MTEF and economic lifecycles. Integrating immovable asset planning into the strategic planning process using an immovable asset lifecycle approach presents a challenge. It is therefore important to incorporate all lifecycle costs into a lifecycle plan that will span several MTEF cycles.
42. Prior to preparing a C-AMP a Custodian should ensure that:
 - (a) occupation of assets has been verified;
 - (b) information on the condition of assets is available, using the User's assessment augmented by the Custodian's inspections;
 - (c) alternatives have been considered where Users' priorities so indicate (including options analyses where such analyses have been completed);
 - (d) lifecycle plans have been modelled per asset type; and finally
 - (e) its immovable asset register has been updated.
43. During the preparation of a C-AMP, a Custodian must conduct the following processes:
 - (a) **Process 1:** Compile portfolio profile
 - (b) **Process 2:** Compile asset performance report
 - (c) **Process 3:** Compile asset lifecycle management plans
 - (d) **Process 4:** Conduct portfolio analyses
 - (e) **Process 5:** Develop Management Plans for:
 - (i) Capital Acquisitions
 - (ii) Leasing (including new lease acquisitions)
 - (iii) Maintenance
 - (iv) Disposals
 - (f) **Process 6:** Develop budgets

Process 1: Compile portfolio profile

44. During the compilation of the portfolio profile, Custodians are required to review Annexure A of the U-AMP (User Asset Requirements) to familiarise themselves with Users' service delivery objectives and associated asset requirements. Where necessary, Custodians should clarify immovable asset requirements.

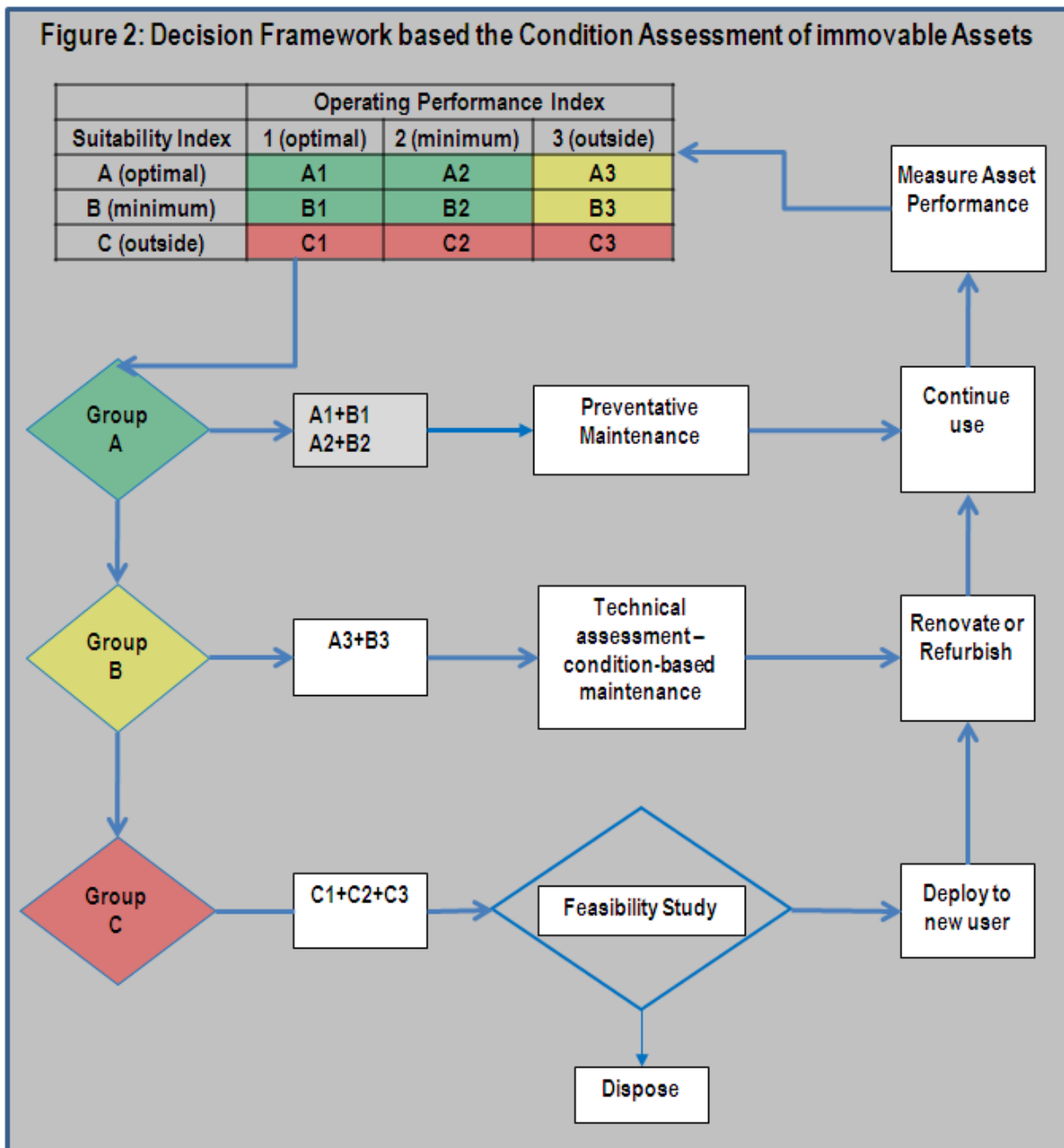
45. Template 1 could be used to consolidate all Users' needs.
46. The portfolio profile must at least comprise of:
 - (a) Name of User
 - (b) Function that the immovable asset performs – eg. School, Police Station.
 - (c) The asset type (see Annexure A)
 - (d) The asset category (See Annexure B) comprising of:
 - (i) Prestige (Parliament, provincial legislatures, Union Buildings)
 - (ii) Heritage (cultural, scientific or historical assets)
 - (iii) Security (military installations, prisons)
 - (iv) Function-specific (courts, schools, hospitals, police stations)
 - (v) Infrastructure (roads, bridges, harbours, airports)
 - (vi) General (offices, residential accommodation, warehouses, hangers)
 - (e) Common asset description
 - (f) Property code (as per the Custodians immovable asset register)
47. Template 2: Part A could be used for the compilation of the portfolio profile.

Process 2: Compile asset performance report

48. The immovable asset performance report must include both Users' (functional performance) assessment and the Custodians (asset performance) assessment.
49. The performance report must contain the following information.
 - (a) Functional performance indicator
 - (b) Utilisation indicator
 - (c) Condition indicator
 - (d) Financial value indicator
 - (e) Remaining life of the asset
50. The functional performance indicator of an immovable asset is a measure of its effectiveness in supporting service delivery objectives. This indicator consists of the User's suitability and condition rating and should be obtained from the U-AMP's Template 3.
51. The utilisation indicator (as determined during the U-AMP process), should measure the capacity of the asset that is effectively used for service delivery, relative to the total capacity of the asset (as per the relevant design norm) expressed as a percentage.
52. A proper condition indicator should express the actual condition of the asset (determined by inspection) as a ratio of the required condition (as per the relevant design specification) of the asset. (See Annexure C)
53. The financial indicator is determined by expressing the current book value of an immovable asset as a percentage of its replacement value.
54. The remaining life of an immovable asset should be determined:

- (a) by subtracting the year of acquisition from the current year and subtracting the result from the lifecycle in years; or
- (b) in the case where the acquisition date is not available, by multiplying the financial indicator (see above) with the lifecycle of the asset in years.

55. This performance report will provide the Custodian with a framework to determine which immovable assets are:
- (a) not optimally supporting service delivery objectives;
 - (b) meeting the minimum requirements; or
 - (c) fully supporting service delivery objectives.
56. The combined performance assessment enables Custodians to classify immovable assets (as depicted in Figure 2 below).



57. Based on the results of the performance report and in consultation with Users, immovable assets are then classified into three groups. Figure 2 depicts the relationship between each

group and the action that must be taken:

- (a) **Group A:** Immovable assets that are in an acceptable condition to the User.
- (b) **Group B:** Immovable assets that are suitable to User's requirements but require technical condition assessment as the asset performance does not meet minimum functional requirements of the facility.
- (c) **Group C:** Immovable assets that have been identified as unsuitable to the current User's requirements.

- 58. Upon completion of the portfolio profile and asset performance report, Custodians should have a good indication of their current assets and overall asset performance.
- 59. Template 2: Part B could be used to complete the performance report for the assets.

Process 3: Lifecycle Planning

- 60. Lifecycle plans should be conducted at the beginning of an economic lifecycle and captured in the immovable asset register. Lifecycle information should be obtained from the immovable asset register and should only be updated if there is a substantial change to the immovable asset resulting in a change in the lifecycle.
- 61. Lifecycle plans provide continuity in the management of assets and consist of:
 - (a) historic information (asset acquisition date, capital cost);
 - (b) current information (current replacement value and accumulated depreciation); and
 - (c) planning information (maintenance, renovation and refurbishment)
- 62. As a result of historic inadequacies in immovable asset registers, acquisition dates and values are often not available. Custodians did not always keep accurate records of renovation, upgrade, refurbishment and maintenance expenditure. In such instances, Custodians must use the replacement value (at the time when the lifecycle plan is prepared), but is then required to determine the remaining economic lifecycle (in years) for each asset. This information is required to plan for future renovations in the lifecycle of assets.
- 63. The analysis of lifecycle plans is required to compile a list of required renovations and refurbishments for the following two MTEF cycles. The planned renovation and refurbishments have to be reviewed in conjunction with User requests for upgrades. Where possible the planned activities should be scheduled in accordance with User requirements to ensure minimal disruption of User activities.
- 64. In instances where it is not possible to align planned immovable asset management activities with User requirements, negotiations with the User has to be undertaken to develop an alternative solution in the interest of meeting the immediate service delivery needs of the Users whilst preserving the value of the asset portfolio.
- 65. Custodians, in consultation with Users, must however update the scheduled upgrades/refurbishments for at least the first MTEF cycle after the allocation of budgets by the relevant Treasury. The last element that has to be included in the lifecycle activities of assets is the planned refurbishment or disposal date.
- 66. Template 3 could be used to summarise the lifecycle plan for each asset.

Process 4: Conduct portfolio analysis

- 67. The portfolio analysis is focused on determining the proposed action per immovable asset. This analysis should be conducted in conjunction with Users to ensure that asset solutions provide optimal support for Users' service delivery objectives.

68. The portfolio analysis is focused on:
- (a) recording the performance indicator in respect of immovable assets (See figure 2);
 - (b) identifying the applicable portfolio strategy that would inform the asset decision;
 - (c) prioritising immovable assets according to condition indicators and applicable portfolio strategy (where assets with the worst condition per portfolio strategy receives top priority); and
 - (d) proposing appropriate actions per asset.
69. Template 4 could be used to complete the portfolio analysis of the assets.

Process 5: Develop Works Plans

70. Custodians should prepare works plans that addresses all capital expenditure-, operational expenditure- and disposal activities on immovable assets.
71. Capital expenditure activities include:
- (a) construction and purchase of new assets; and
 - (b) renovation, upgrade and refurbishment of existing assets.
72. Operational expenditure includes:
- (a) all leases (existing and new);
 - (b) maintenance expenditure; and
 - (c) property rates.
73. Custodians and Users must reach agreement on who is responsible for other operational expenditure such as municipal service charges, cleaning-, horticultural- and security services.

Capital works plans

74. The Custodian should now be in the position to identify projects to meet the immovable assets requirements of Users. These projects should be determined by analysing:
- (a) new requirements of Users (resulting from the U-AMP processes);
 - (b) the performance assessment and portfolio analysis (process 3 of the C-AMP); and
 - (c) lifecycle activities such as renovations and refurbishments resulting from lifecycle plans.
75. A capital works plan should contain the following information:
- (a) an asset reference number and description;
 - (b) the performance indicator for existing assets;
 - (c) type of acquisition;
 - (d) the applicable portfolio strategy;
 - (e) the rationale for the acquisition;
 - (f) status of the acquisition activities;
 - (g) proposed action for new acquisitions; and
 - (h) the timeframe (duration) of the acquisition process; and
 - (i) scheduled maintenance expenditure for MTEF.
76. Template 5.1 could be used to complete the capital works plan, while Template 5.2 could

be used to complete the capital works budget.

Leasing plans

77. The lease expenditure plan must include the cost of tenant installations. Ideally, the cost of tenant installations should be included as a component of the rental that will be recovered from the User and paid to the landlord over the period of the lease. However, should the Custodian undertake tenant installations, this cost must be included in the Capital Works Plan as a capital expenditure item.
78. Template 6.1 could be used to complete the leasing plan, while Template 6.2 could be used to complete the leasing budget.

Maintenance Plans

79. A maintenance strategy is determined for each asset, based on:
 - (a) current replacement value;
 - (b) remaining economic lifecycle; and
 - (c) remaining useful life of the asset.
80. The aforementioned three indicators should inform the Custodian on the prioritisation of asset activities. The performance indicator could be interpreted as follows (see figure 2 above):
 - (a) Group A: Preventative maintenance
 - (b) Group B: Essential maintenance only
 - (c) Group C: Technical assessment required - condition-based maintenance
81. After allocation of the asset performance indicator, the Custodian has to determine the portfolio strategy to which the proposed actions are aligned.
82. The review of applicable portfolio strategies will enable the Custodian to develop the proposed action for each asset. Proposed actions are developed for each asset, depending on the current asset performance and the particular portfolio strategy.
83. The maintenance plan should contain the following information:
 - (a) an asset reference number and description;
 - (b) category of the asset
 - (c) type of asset;
 - (d) asset condition indicator;
 - (e) replacement value of assets;
 - (f) previous year's maintenance expenditure on each asset; and
 - (g) scheduled maintenance expenditure for MTEF.
84. Template 7 could be used to complete the maintenance plan.

Disposal Plan

85. The disposal must include all identified disposals, with specific reference to the rationale for the disposal decision.
86. The disposal plan must indicate alternative uses that the Custodian considered. This includes:

- (a) land reform (restitution, redistribution and tenure upgrade);
 - (b) other socio-economic objectives; and
 - (c) donation to other spheres of government for service delivery.
87. The Custodian must indicate the methods of disposal that should be considered:
- (a) sale or letting by public tender, public auction or private treaty;
 - (b) donations; and
 - (c) transfer or letting of assets to other government entities or spheres of government.
88. In the case of termination of leases, the Custodian should state the factors taken into consideration when terminating a lease, which should include at least:
- (a) empowerment score of property owner;
 - (b) existing rental cost per m²;
 - (c) rationale for termination;
 - (d) any residual rental or penalties due by the custodian;
 - (e) cost of relocating the user; and
 - (f) new accommodation solution (including rental cost per m² for new leases).
89. Template 8.1 and 8.2 could be used to complete the disposal plan for state-owned assets and termination of leases respectively.

Process 6: Develop asset management budget

90. Asset budgets are compiled based on the complete funding requirements of each asset and are categorised according to the funding required as follows for each User:
- (a) Consolidated budget - Template 9 could be used to summarise the complete asset management budget. The information for Template 9 must be obtained by from templates 9.1, 9.2, 9.3 and 9.4.
 - (b) Capital budget requirements - Template 9.1 could be used to complete the capital works budget.
 - (c) Lease budget requirements - Template 9.2 could be used to complete the capital works budget.
 - (d) Property rates and municipal services budget requirements - Template 9.3 could be used to complete the capital works budget.
 - (e) Maintenance budget requirements - Template 9.4 could be used to complete the capital works budget.

Part 6: Organisational Support

91. Upon finalising its C-AMP, a Custodian should consider its organisational capacity to implement the C-AMP. This should be addressed by assessing the Custodian's:
- (a) organizational structure in dealing with the implementation of the C-AMP, the result of which should be included in the Custodian's Human Resources Plans;
 - (b) enabling systems such as asset- and project management systems, the result of which should be included in the Custodian's Information Technology Resource Plans;
 - (c) sourcing options for capacity to implement the C-AMP, including options such as in-sourcing, out-sourcing and co-sourcing (partnering with organisations that will develop or provide skills), the result of which should be included in the Custodian's Demand Management Plan as part of supply chain management processes.

Part 7: Templates for preparing a C-AMP

92. The following templates could be used by Custodians when preparing a C-AMP.
- (a) Template 1: User Needs Analysis (Annexure 1 of C-AMP)
 - (b) Template 2: Asset Performance Management Plan (Annexure 2 of C-AMP)
 - (c) Template 3: Asset Lifecycle Plan (Annexure 3 of C-AMP)
 - (d) Template 4: Portfolio Analysis (Annexure 4 of C-AMP)
 - (e) Template 5.1: Capital Projects (New, Upgrades and Refurbishments) (Annexure 5 of C-AMP)
 - (f) Template 5.2: Capital Projects Budgets (Annexure 6 of C-AMP)
 - (g) Template 6.1: Leasing Plan (Annexure 7 of C-AMP)
 - (h) Template 6.2: Leasing Budgets (Annexure 8 of C-AMP)
 - (i) Template 7: Maintenance Plan (Annexure 9 of C-AMP)
 - (j) Template 8.1: Disposal Plan for State-owned Assets (Annexure 10 of C-AMP)
 - (k) Template 8.2: Termination of Leases (Annexure 11 of C-AMP)
 - (l) Template 9: Summary Budget (Annexure 12 of C-AMP)
 - (m) Template 9.1: Capital Budget (Annexure 13 of C-AMP)
 - (n) Template 9.2: Leasing Budget (Annexure 14 of C-AMP)
 - (o) Template 9.3: Maintenance Budget (Annexure 15 of C-AMP)
 - (p) Template 9.4: Property Rates Budget (Annexure 16 of C-AMP)

Template 1: User Needs Analysis (Annexure 1 of C-AMP)

Mission:						
Programme	Planned outputs	Required service level	Possible non-asset solutions	Optimal Asset Solution	Motivation	Rationale for chosen solution
1. Administration	a.			e.g. Head office in Pretoria for 1 000 people.	Staff complement of head office will increase from 900 to 1 000 over next three years due to introduction/ extension of XXX function.	
	b.			e.g. Service delivery support office in each province	9 provincial offices in the following localities: Bloemfontein (Number of staff) Cape Town (Number of staff) Etc.	
2. Programme XYZ				e.g. Service delivery nodes per of the general population (Specify number of people or alternative suitable parameter)	e.g. Number of service delivery nodes per province:	

Template 2: Asset Performance Management Plan (Annexure 2 of C-AMP)

PORTFOLIO PROFILE					PART B: SUMMARY OF ASSET PERFORMANCE					
					USER INPUT			CUSTODIAN INPUT		
Serial no	User	Asset register property code	Common asset description	Asset Type	Suitability index	Condition rating	Utilisation (%)	Condition Assessment	Financial value indicator	Remaining Life
1					A,B,C	1,2,3	110%	1-5	%	%
2										
3										
4										
5										
6										
7										
8										

Template 3: Asset Lifecycle Plan (Annexure 3 of C-AMP)

[illegible]

Template 4: Portfolio Analysis (Annexure 4 of C-AMP)

PART A: PORTFOLIO PROFILE					PART B: PORTFOLIO ANALYSIS			
Include State-owned and leased					CUSTODIAN (IN CONJUNCTION WITH USER)			
					CONCLUSION			
Serial no	User	Asset register property code	Common asset description	Asset Type	Performance Indicator* (A, B or C)	Applicable portfolio strategy	Rationale	Proposed Action
1						Lease vs state-owned	Business case to be developed	
2						Sustainability of portfolio		Refurbishment
3						Growth and development strategy		Disposal
4						Land reform		
5								
6								
7								
8								

Template 5.1: Capital Projects (New, Upgrades and Refurbishments) (Annexure 5 of C-AMP)

[illegible]

Template 5.2: Capital Projects Budgets (Annexure 6 of C-AMP)

Project Information							Budget						
Project No.	Project name	Project Type	Project Status	Consultants Budget	Contractors Budget	Total Project Budget	Actual to date	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5
		Buy	Project identification			Buy							
		Construct	Feasibility			Construct							
		Renovate	Design			Renovate							
		Refurbish	Tender			Refurbish							
		Upgrade	Implementation			Upgrade							
		Reconfigure	Construction										
			Completion										
			Retention										

Template 6.1: Leasing Plan (Annexure 7 of C-AMP)

[illegible]

Template 6.2: Leasing Budgets (Annexure 8 of C-AMP)

[illegible]

Template 7: Maintenance Plan (Annexure 9 of C-AMP)

[illegible]

Template 8.1: Disposal Plan for State-owned Assets (Annexure 10 of C-AMP)

PART A: PORTFOLIO PROFILE					PART B: DISPOSAL PLAN					
Serial no	User	Asset register property code	Common asset description	Asset Type	Disposal Cost	Book value of asset	Market Value of Asset	Rationale	Alternative Uses Considered	Disposal Method
1										
2										
3										
4										
5										
6										
7										
8										

Template 8.2: Termination of Leases (Annexure 11 of C-AMP)

PART A: PORTFOLIO PROFILE					PART B: Rational					
Lease Serial no	User	Asset register property code	Common asset description	Asset Type	Empowerment Score of Property Owner	Annual Rental	Rationale	Residual Rental of Lease and Penalties	Relocation Cost User	New Accommodation Solution
1										
2										
3										
4										
5										
6										
7										
8										

Template 9: Summary Budget (Annexure 12 of C-AMP)

User Department	Fin Year -1	Fin Year 0	Fin Year 1	Fin Year 2	Fin Year 3	Fin Year 4	Fin Year 5
Presidency							
Parliament							
Foreign Affairs							
Home Affairs							
Provincial & Local Government							
Public Works							
Government Communications (GCIS)							
National Treasury							
National Treasury (SARS)							
Public Service & Administration							
Public Service Commission							
SA Management Development Institute							
Statistics SA							
Arts & Culture							
Education							
Health							
Labour							
Social Development							
Sport & Recreation SA							
Correctional Services							
SA National Defence Force							
Independent Complaints Directorate							
Justice and Constitutional Development							

Template 9.1: Capital Budget (Annexure 13 of C-AMP)

User Department	Fin Year -1	Fin Year 0	Fin Year 1	Fin Year 2	Fin Year 3	Fin Year 4	Fin Year 5
Presidency							
Parliament							
Foreign Affairs							
Home Affairs							
Provincial & Local Government							
Public Works							
Government Communications (GCIS)							
National Treasury							
National Treasury (SARS)							
Public Service & Administration							
Public Service Commission							
SA Management Development Institute							
Statistics SA							
Arts & Culture							
Education							
Health							
Labour							
Social Development							
Sport & Recreation SA							
Correctional Services							
SA National Defence Force							
Independent Complaints Directorate							
Justice and Constitutional Development							

Template 9.2: Leasing Budget (Annexure 14 of C-AMP)

User Department	Fin Year -1	Fin Year 0	Fin Year 1	Fin Year 2	Fin Year 3	Fin Year 4	Fin Year 5
Presidency							
Parliament							
Foreign Affairs							
Home Affairs							
Provincial & Local Government							
Public Works							
Government Communications (GCIS)							
National Treasury							
National Treasury (SARS)							
Public Service & Administration							
Public Service Commission							
SA Management Development Institute							
Statistics SA							
Arts & Culture							
Education							
Health							
Labour							
Social Development							
Sport & Recreation SA							
Correctional Services							
SA National Defence Force							
Independent Complaints Directorate							
Justice and Constitutional Development							

Template 9.3: Maintenance Budget (Annexure 15 of C-AMP)

User Department	Fin Year -1	Fin Year 0	Fin Year 1	Fin Year 2	Fin Year 3	Fin Year 4	Fin Year 5
Presidency							
Parliament							
Foreign Affairs							
Home Affairs							
Provincial & Local Government							
Public Works							
Government Communications (GCIS)							
National Treasury							
National Treasury (SARS)							
Public Service & Administration							
Public Service Commission							
SA Management Development Institute							
Statistics SA							
Arts & Culture							
Education							
Health							
Labour							
Social Development							
Sport & Recreation SA							
Correctional Services							
SA National Defence Force							
Independent Complaints Directorate							
Justice and Constitutional Development							

Template 9.4: Property Rates Budget (Annexure 16 of C-AMP)

User Department	Fin Year -1	Fin Year 0	Fin Year 1	Fin Year 2	Fin Year 3	Fin Year 4	Fin Year 5
Presidency							
Parliament							
Foreign Affairs							
Home Affairs							
Provincial & Local Government							
Public Works							
Government Communications (GCIS)							
National Treasury							
National Treasury (SARS)							
Public Service & Administration							
Public Service Commission							
SA Management Development Institute							
Statistics SA							
Arts & Culture							
Education							
Health							
Labour							
Social Development							
Sport & Recreation SA							
Correctional Services							
SA National Defence Force							
Independent Complaints Directorate							
Justice and Constitutional Development							

Annexure A: Asset Types

1. The list below provides a summary of the most typical functions of assets.
 - (a) Court Buildings
 - (b) Halls & Lecture Facilities
 - (c) Medical Facilities & Mortuaries
 - (d) Mess Facilities & Restaurants
 - (e) Museums & Libraries
 - (f) Offices
 - (g) Prisons
 - (h) Residential Accommodation
 - (i) Shops
 - (j) Under Cover Parking
 - (k) Warehouses & Hangers

Annexure B: Asset Categories

The asset portfolio must be classified in terms of:

- (a) **Category 1: Prestige assets** – are generally used by national and provincial political office-bearers (e.g. ministers, premiers, parliamentarians, etc.) either as offices, meeting places or residential accommodation. Typical prestige assets are the Parliament Buildings, Union Buildings and ministerial offices and are generally of strategic significance to the country.
- (b) **Category 2: Heritage assets** – are classified as such due to their age or cultural, scientific or historical value.
- (c) **Category 3: Security related assets** – are classified by the role that they play in relation to ensuring the security of the country or residents and may include sensitive military installations, prisons, etc. These assets are normally characterised by the high technology security installations.
- (d) **Category 4: Function-specific assets** – are assets which are purpose designed for a specific function (such as hospitals, mortuaries, archives, etc) and may not be easily replaceable.
- (e) **Category 5: Infrastructure assets** – are assets that support or play a significant role in the economy of the country. This may include roads, harbours, airports and ports of entry.
- (f) **Category 6: General assets** – are assets that do not meet any of the criteria above, are easily tradable for another asset of similar nature or function and include offices, warehouses, residential accommodation and hangers.
- (g) **Category 7: Vacant land** – are held by government for future use.

Annexure C: Methodology for determining functional performance of immovable assets

Methodology for determining functional performance of assets

1. A critical aspect of a U-AMP is the assessment of the functional performance of an immovable asset. Functional performance is the measure which a User should apply to determine the extent to which an asset meets the asset requirements and thereby the service delivery objectives that such an asset supports. The paragraphs below describe a methodology that could be applied for accommodation. User may have to develop similar methodologies for other categories of assets where this functional performance methodology would not be applicable.

Required Performance Standard

2. The application of a performance assessment requires the determination of a required (or ideal) performance standard. This required performance standard is the standard expected of the accommodation and will provide the baseline against which it should be measured. The required performance standard should be a strategic decision that will affect the management of immovable assets throughout their lifecycle. Table 1 can be used to determine the required performance rating.

Table 1: Required Performance Standard

Performance Standard	Condition Standard	Index
Highly sensitive functions with critical results or high profile public building	Assets to be in best possible condition, Only minimal deterioration will be tolerated	P5
Business operations requiring good public presentation and high quality working environments	Assets to be in good condition operationally and aesthetically, benchmarked against industry standards for that particular class of asset	P4
Functionally-focussed assets at utility level	Assets to be in reasonable condition, fully meeting operational requirements	P3
Functions are providing essential support only, with no critical operational role (e.g. storage) or asset has limited life	Condition needs to meet minimum operational requirements only	P2
Functions have ceased and the asset is dormant; pending relinquishment, etc	Condition can be allowed to deteriorate or marginally maintained at minimal cost	P1

e.g. The required performance rating index for a primary school is P3.

Accessibility Rating

3. The accessibility rating provides an indication of the asset's physical location in relation to the service delivery objectives. This includes the accessibility of the accommodation for the general public, or members that have to conduct their business at the asset. The allocation of the accessibility rating has to take into consideration what is expected of the asset. Eg. A facility that does not require public access, should not be marked down on accessibility should it not provide for public access.
4. Table 2 can be used to allocate an accessibility rating for the asset.

Table 2: Accessibility Rating

General Description	Rating
The asset fully support service delivery objectives; is fully accessible to the general public with well designed public areas and parking; is accessible for the physically challenged; and has all the services required by the functions performed in the accommodation.	A5
The asset mostly supports service delivery objectives; is fairly accessible to the general public with moderately designed public areas and parking; is accessible for the physically challenged to the main areas; and have the majority of services required by the functions performed in the accommodation.	A4
The asset partially support service delivery objectives; is accessible to the general public with limited public areas and parking; has limited accessibility for the physically challenged; and has the minimum services required by the functions performed in the accommodation.	A3
The asset limits achievement of service delivery objectives; is not generally accessible to the general public with limited public areas and parking; is not accessible for the physically challenged; and does not have the services required by the functions performed in the asset.	A2
The asset does not support service delivery objectives at all; is not at all accessible to the general public and should not be used for the current service delivery objectives	A1

e.g. The primary school has to be located where the public can have access to it, as well as adequate parking, etc. If it has limited accessibility it might score an A2.

Suitability Index

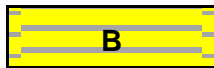
- The required performance standard allocated in Table 1 as well as the accessibility rating allocated in Table 2 is used as cross references to determine the suitability index of the asset as indicated in Table 3.

Table 3: Suitability Index

Required Performance Standard	Accessibility Rating				
	A1 (Very Poor)	A2 (Poor)	A3 (Fair)	A4 (Good)	A5 (Excellent)
P5	C	C	B	A	A
P4	C	C	B	A	A
P3	C	B	B	A	A
P2	C	B	A	A	A
P1	C	C	C	C	C



The asset is fully suitable for its required function



The asset meets the minimum suitability criteria for its function



The asset does not meet the required suitability criteria

e.g. - The primary school has a required performance standard of P3 and an accessibility rating of A2. A cross reference will determine a suitability rating of "C".

User Condition Rating

6. The condition rating is utilised to give a brief indication of the physical condition of the asset (It should be noted that this is not a full condition assessment). Table 4 is used to allocate a condition rating to the asset.

Table 4: Condition Rating

Condition Status	General Description	Rating
Excellent	The asset has no apparent defects. Appearance is as new. Risk Index: No effect on service capability. No risk.	C5
Good	The asset exhibits superficial wear and tear, with minor defects and minor signs of deterioration to surface finishes. Risk Index: Intermittent, minor inconvenience to operations. Probability of risk to health & safety or property is slight. Low cost implication.	C4
Fair	The asset is in average condition, deteriorated surfaces require attention; services are functional, but require attention, backlog maintenance work exists. Risk Index: Frequent inconvenience to operations. Some risk to health & safety or property. Medium cost implications	C3
Poor	The asset has deteriorated badly, with some structural problems. General appearance is poor with eroded protective coatings; elements are broken, services are interrupted; significant number of major defects exists. Risk Index: Many disruptions to service capability, some risk to health & safety or property. High cost implication.	C2
Very Poor	The asset has failed; is not operational and is unfit for occupancy. Risk Index: Accommodation is unusable, immediate high risk to security, health & safety or property. Significant cost impact.	C1

e.g. The Primary School might be rated as C4.

Operating Performance Index

7. The operating performance is determined by a cross reference between the required performance standard and the condition rating. Table 5 is used to determine the operating performance index.

Table 5: Operating Performance Index

Required Performance Standard	Condition Rating				
	C1 (Very Poor)	C2 (Poor)	C3 (Fair)	C4 (Good)	C5 (Excellent)
P5	3	3	3	2	1
P4	3	3	2	1	1
P3	3	3	2	1	1
P2	3	2	1	1	1
P1	2	2	1	1	1



The asset standards exceeds the level expected for functional and operational requirements



Functional Performance meets the standards expected for functional and operational requirements



Functional Performance does not meet the standard expected for functional and operational requirements

e.g. The primary school had a required performance standard of P3 and a condition index of C4. The operating performance index for the Primary School will therefore be 2 (Good).

Functional Performance Index

8. The functional performance rating is determined by utilising the suitability index as well as the operating performance index that was determined in the previous steps. Table 6 can be utilised to determine the functional performance rating.

Table 6: Functional Performance Index

	Operating Performance Index		
Suitability Index	1 - Optimal	2 - Minimum	3 - Outside
Optimal - A	A1	A2	A3
Minimum - B	B1	B2	B3
Outside - C	C1	C2	C3

“A1” - The asset is operating optimally and is fully suitable for its required function

“A2” - The asset meets the minimum operating criteria and is fully suitable for its required function

“A3” - The asset does not meet the minimum operating requirements but is fully suitable for its required function

“B1” - The asset meets the optimal operating requirements but only meets the minimum suitability criteria for its required function

“B2” - The asset meets the minimum operating and suitability criteria for its required function

“B3” - The asset does not meet the minimum operating criteria but meets the minimum suitability criteria for its required function

“C1” - The asset is operating optimally but does not meet the minimum suitability criteria

“C2” - The asset meets the minimum operating criteria but does not meet the minimum suitability criteria

“C3” - The asset does not meet the minimum operating criteria and does not meet the minimum suitability criteria

e.g. The primary school was allocated a C for suitability and a 2 for operating performance. The functional performance in accordance with Table 6 is therefore C2 which means that the accommodation is operating well but is not necessarily suitable in terms of its accessibility.

9. The functional performance index should be utilised by the User to select the appropriate action for the asset. The following diagram illustrates the actions.

