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REFLECTION ON THE USE OF RATING AND SCORE CARDS FOR ASSET AND SERVICE ASSESSMENT

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Abstract

The concept of star rating council facilities has progressively gained traction in Australia following the work of Dean Taylor at Marochy Shire Council in Queensland in 2006 – 2007 and more recently by the Victorian STEP asset management program. The following paper provides a brief discussion on the use and merits of star rating within community asset management. We suggest that the current adoption of the star rating system to manage community investment in services is lacking in consistency. It is suggested that the major failing is a lack of clear understanding in the purpose being served by the systems. The discussion goes on to make some recommendations on how the concept of a star system could be further enhanced to serve the needs of our communities better.

key Words: rating, star rating, score cards, service, asset, infrastructure, facility, requirements, community, local government.

Star Rating Assets

The concept of star rating council facilities has progressively gained traction in Australia following the work of Dean Taylor [Taylor] at Marochy Shire Council in Queensland in 2006 – 2007 and more recently by the Victorian STEP asset management program. The following paper provides a brief discussion on the use and merits of star rating within community asset management. The discussion goes on to make some recommendations on how the concept of a star system could be further enhanced to serve the needs of our communities better.

The concept of using a star rating system to classify a product or service is not new. They are used by reviewers for ranking things such as movies, TV shows, restaurants, and hotels. One of the most recognisable systems is the 5 star classification used in the travel industry in ranking hotels. The hotel star system is an aggregated assessment of the hotel's facilities, amenity and services; generally equated to its luxury. It takes into consideration not just the assets and services but also the amenity that is its attractiveness, comfort and convenience, which are largely derived from the assets and services.

Hotel, Motel and Apartment Hotel Ratings:

- ★ Basic standard. Simply furnished. Resident manager.
- ★★ Well maintained with an average standard: average furnishings, bedding and floor coverings.
- ★★★ Well appointed with a comfortable standard of accommodation: above average furnishings and floor coverings.
- ★★★★ Exceptionally well appointed with a high level of facilities: quality furnishings and a high degree of comfort, presentation and guest services provided.
- ★★★★★ International standard with a high degree of facilities: outstanding appointments, furnishings and décor and an extensive range of first class guest services. A number and variety of room styles and/or suites, choice of dining facilities, 24 hour room service, housekeeping, valet parking, portorage and concierge services.

Example of The STAR Rating System used in Australia operated by AAA Tourism

From the promoter's perspective the purpose of the hotel star rating systems is to guide the user in finding the right accommodation for their budget and service needs. The value proposition from the Hotel's perspective is potentially slightly different in that it is generally more about product and service differentiation. In a competitive market, it is about demonstrating that your product/service is better than your competitor's.

Facility managers have developed star rating systems in Australia to measure and rank the performance of facilities, generally in respect of energy and water consumption and their contribution to greenhouse emissions. The Energy and Water National Australian Built Environment Rating System (NABERS) [NSW DECC] is a 5 star energy and water rating system for hotels. The rating system shows how efficient the hotel is in regards to energy consumption and greenhouse gas emissions. NABERS is a performance-based rating system for existing buildings. NABERS rates a building based on its measured operational impacts on the environment, and provides a simple indication of how well the facility is managing environmental impacts compared with its peers and neighbours; it is a relative benchmark.

The Facility Management Association of Australia's Building Services Special Interest Group [FMA] has developed a Green Star – Office Asset Rating Tool, which is designed to rate Class 5 Commercial Office Buildings (as designed by the Building Code of Australia). It rates the environmental attributes of existing office buildings, independent of their tenants' operations or behaviour. It is intended for use by commercial office owners to assess the environmental merits of their existing or future assets.

The Sydney Water [Sydney Water] business program Every Drop Counts (EDC) identifies gaps in current water management, creates an improvement plan and sets a program for improvement. The result is given in star ratings from one to five. The star rating systems is to benchmark how well an organisation has performed in making changes toward a preferred state. The measures are relative rather than absolute, in that, they reflect the level of change made by the organisation relative to its plan and starting point.

What we observe is that star ratings are used differently to communicate some measure of performance. Some are "absolute" measures based on a defined standard. Other are relative, based on the applicant's starting point relative to say its peers or consumer expectations.

The Victorian Approach

The concept of star rating local government infrastructure has been developed in Victoria through a group of pilot councils and the MAV STEP providers. It builds upon the work of Taylor but has allowed councils to develop and expresses the system in divergent ways that best serve their perceived needs.

The espoused motive behind the infrastructure star rating system is to provide councils with an additional strategy by which they are able to reduce their asset renewal gap.

"The MAV Renewal Program initiative has provided a clear focus on the renewal funding needs of Councils and in the main, Council's do not have the financial capacity to fund their renewal gap. Broadened Step enables Council's to critically review their service levels as part of the overall tactics to fund their renewal gap."

[STEP]

However, a closer examination of the way in which the star rating system is deployed across the sector suggests that the purpose served and the outcomes achieved by the star rating system are mixed. At a high-level, all councils are using it to communicate information about their infrastructure. The difference is in the benchmarks they are using to score their infrastructure. At one end of the spectrum councils are using the system to provide a measure of how each facility compares to other facilities provided by other councils across the state. In this case facilities are categorised as belonging to a high level service themes. For example, consider the high-level service theme "aquatic services". Under this theme, a council may provide several "sub-services". In one community, they may provide a simple 4 lane 25m outdoor swimming pool with basic change room, toilet and showers. Whilst in a regional city the same council may provide a 50m 8 lane pool, suitable for state and national championships, along with a diving pool saunas, spectator seating, cafeteria, bar, shop, coaching facilities and a gym. Using a star rating system similar to that used by hotels then the regional aquatic centre may be rated a 5 star facility, whilst the community pool rates a 1 star. To an external visitor of the municipality the star rating has a close correlation to the well-understood hotel system, where visitors would intuitively expect a 5 star aquatic centre to offer a range of services.

At the other end of the spectrum councils are rating their facilities against the objectives for that facility derived from some form of community plan.

This is a relative benchmark, in that, every community plan will set different objectives for the services and community infrastructure requirements based on their local needs. In this case the star rating is an assessment against these objectives.

From the perspective of the local community, having their local pool classed as a 1 star service may carry negative and counter productive messages. Consider the community that has lobbied hard to retain and modernise its outdoor pool. The pool plays a central role in the kindergarten and local primary school's physical education and water safety program. On hot summer days, the pool becomes the centre of focus for many community activities. The services provided by the simple pool meet community expectation and the facility is valued for its contribution to their quality of life and wellbeing. When communicating to the community is it appropriate to rate this community pool 1 star when it meets all of the quality criteria of being fit for purpose?

To adequately answer this question we need to address the issue of "what is the purpose of the star rating system?" We suggest that there are two very distinct core purposes for rating and scoring community services.

Purpose 1. State-wide Facility & Service Star Rating Benchmark

In this instance, the purpose of the star rating system is to provide a rating against state-wide benchmarks on the quality of the services and facilities managed by councils. It is an absolute measure of performance against fixed criteria. Council services will be benchmarked under a finite group of defined service themes, such as:

- Libraries,
- Aquatic,
- Sports and Recreation,
- Early Childhood.

The star rating is applied to the facility and services in respect of its performance against a state-wide defined set of criteria. In general the rating will be obtained from a combination of the facilities, (the assets that are installed) services (the outcomes the users can achieve) and amenity (the comfort, convenience and attractiveness).

Consider again the council aquatic centre we can define each star level in respect of the sub-services and assets that support the overall theme provided by the facility. For example, we may define that a five star aquatic service must provide the following as mandatory:

- international standard facility capable of hosting international swimming events and includes the following, which must be of the highest standard:
 - 50m pool,
 - spectator seating,
 - diving pool,
 - training and coaching service,
 - secure storage,
 - cafeteria,

and say 80% of the following as optional

- children's pool,
- water slide,
- wave pool,
- shop,
- sauna,
- spa,

in more general terms the facility must:

- have a high level of public amenity,
- provide lifeguards at all times,
- provide swimming development programs.

Advantages

The benefits provided by this system are that visitors to the area will have a general understand of what to expect from the service/facility. The wider community understands where the different service opportunities are within the region. For example: if parents want to take their family to a pool with a wave machine and water slides etc., then they would visit the 4 star facility. However, the authors seriously question the value of this rating. As a visitor to an area it is more likely that the person would consult the tourist information to see what facilities the pool had to offer and more importantly when they were available. For the local community they will generally already know this.

Disadvantages

The concept of star rating a facility potentially undervalues the service outcomes enabled by lower star facilities. The system could potentially increase community pressure to improve the star rating of the facility/service, when in fact, they are enabling all of the desired outcomes. The net result is that the community will be over serviced in that area and given that most councils are resource constrained then some other service will potentially loose out.

Outcomes

So why do we want to score a facility. In the hotel industry, they do it to differentiate the services and facilities of one hotel against another. It is a competitive marketing tool. From the users perspective it helps them make a choice about which hotel to stay in, or which restraint to eat out at. With many council services and facilities there are no choices, does it matter that a road is 1 star or 5 star? In the case of aquatic centres, it is conceivable that the visitor will compare the star rating of one centre against another. However, for many communities there is no choice. There is only one facility in the area. Furthermore, it is very likely that the visitor will review the brochures of both facilities before making a choice.

From a councils perspective the star rating enables one council to benchmark its services/facilities against another council. However, it tells the councils very little about how well they are meeting the service needs of their community. A four star regional district cricket oval may be a fantastic facility, but if it is only used by a very small proportion of the community at the expense of other junior sporting opportunities then the council's investment in achieving a four star rating may be perceived as a negative in respect to overall community satisfaction.

Purpose 2. Community Focused Service Score Card

The second purpose we propose is to communicate within the local community how the service measures up against the community vision and goals and the strategic objectives set through community consultation.

In this case the score is relative, it is measured against what the community wants. If it matches their needs, it is 5 star. If it largely fails to meet their needs, it is a 1 star. It is a score on the service outcome as measured against the community goals. It may have little bearing on the absolute quality of the assets that enable the service.

A five star service in one council cannot readily be compared to a five star service in another council.

The star rating is how well council is doing against the things the community said were important. A 4 lane 25m pool may be 5 stars. Furthermore, it is possible that a facility rated 5 star under purpose 1 is only a 3 star under purpose 2. Despite having all of the facilities it may be failing to provide kindergarten swimming or be over-servicing the community that can't

afford the maintenance or staffing to operate the water slides.

Advantages

The advantage of the relative service score is that it communicates with the community how council is tracking in delivering its service obligations when measured against instruments such as the community plan. However, using the concept of a star system is potentially misleading. The general public will most probably associate a star rating with some form of absolute ranking or benchmark, such as used in the hotel industry. How good are my facilities relative to yours. We suggest that if the star system is used to communicate how well a council is performing relative to community expectations that a score card may provide a better communication tool.

Disadvantages

Visitors from outside of the local community have no clear benchmark against which to evaluate the service. Councils cannot readily benchmark their performance against other councils. The community has no way of measuring whether or not they are receiving value for money in respect of the services and facilities they are funding through their rates.

Determine the Purpose of the Star Rating System

Before proceeding to develop the star rating system it is essential that the purpose served by the system is made clear. The star rating is possibly best suited to an absolute form of benchmark, where all services and facilities across the state are assessed against the same standard. This will enable councils across the state to begin to benchmark their costs and service outcomes to derive a basic measure of value for money.

The difficulty with the star rating system is that it is a coarse grain scoring system, say 1-5. The differential range of services provided under any one of the stars could result in a reasonably wide range of justifiable and legitimate costs that will distort the direct comparison of value between services. However, with experience it is anticipated that councils will develop an acceptable range of values. Furthermore, most providers will understand where their services are placed within the star band. The council will know whether they are providing additional or subsidised services, for example, the provision of free learn to swim sessions or the continuous operation of the wave pool and waterslide.

The score card is potentially best suited to the relative score of how well a council's services and facilities rate against the community objectives. In this case the score is relative to the objectives set for a specific service. Potentially every service and facility will have its own benchmark and score. For example, the provision of a simple wooden structure toilet facility in a car-park that serves a relatively low usage nature trail, may rate 5 if it is fit for purpose (clean, usable, equipped etc.). Likewise, a toilet facility within a busy shopping precinct may only score 3, despite the fact that it has a superior structure and amenity if it does not meet the needs and significant demand of shoppers, it may for instance not have adequate baby room change facilities. The relativity of each score makes it difficult, if not impossible, to compare one service to another in a benchmark similar to the proposed star system. However, it does permit a service value to be derived and the value proposition could be benchmarked. This represents an extension of the original concept of scoring facilities and services but one that could provide a much better fit with the needs of Local Government in managing assets and services.

The risk with the star rating is that it sends the wrong message to the community, a rural community that provides lots of junior and local league sports facilities may have an average sports ground score of 2 stars but a 5 star satisfaction rating because that is what the community wants. Its public toilets may score 2.5 but are all clean, always maintained fit for purpose, safe for children and hygienic. Their service is potentially much better than say a metro council that may have a predominance of 5 star facilities but only delivers a 3 star service, because for a significant proportion of the time the facilities are not fit for purpose, they are dirty, unhygienic, or the amenity is poor.

Shift the Focus from rating infrastructure to rating services

The concept of star rating facilities and services is well established and for many things it is likely to continue to increase, although most of these systems rate both facilities and services they are mostly skewed towards the facility (asset) dimension of the system. In general the more, bigger and better the assets the higher the score, such as the UEFA classification scheme for football stadia; meeting the Elite classification is largely about size of the facility and provision of assets for lighting, first-aid and media etc.

The risk is that a similar system applied to local government services and facilities will have a

predominant focus on the facility (asset) not the service. This appears to be the way the Victorian STEP program has been constructed in its initial iteration. The message is the bigger and better the facility the higher the star rating.

The authors challenge this approach. The focus for local government ought to be service outcomes. In fact, that is where Dean Taylor [Taylor] started his work from. However, there is a complete lack of well-founded methodology to support such an approach. The Victorian STEP program has placed considerable emphasis on assessment of the assets that enable the service, involving community in what are potentially engineering or asset management professional decisions rather than determining the service outcomes that are sort by the community.

"The Broadened Step Program builds on the work done to date and focuses on assisting Councils to better understand and define the "levels of service" provided by its infrastructure as part of the overall services delivered to the community. This includes the introduction of an "asset rating" system to improve the way the community understand and accept the level of service being provided by Council.

With the completion of the development and documentation of the key Levels of Service (LOS) for infrastructure and facility and the determination of the cost of that service (function, design and presentation), Council will be in a position to "engage" the community and ultimately reach a sustainable funded and agreed service."

[STEP]

The overwhelming focus of the STEP program is on scoring the infrastructure. We argue this is a mistake from the perspective of local government managing its investments in delivering community services. Placing the focus on assets &/or infrastructure is likely to lead to a better asset not a better service. The methodology presented largely focuses on scoring the asset or infrastructure. Asking the community about the attributes of the infrastructure will undoubtedly lead to increased pressure to increase the star ratings.

However, that is potentially not the greatest flaw in the system, the bigger risk is that innovation in the way service outcomes are achieved will be missed by an over emphasis on

the infrastructure. Assets are owned and managed by councils to enable service outcomes. Our belief is that service outcomes ought to be the focus of the communication with the public, not the infrastructure. The discussion with the citizens of a community ought to be around the achievement of service outcomes not around the assets themselves. The discussion about public toilets should not be about the structure but the outcome that public toilet enable.

Shifting the debate from an infrastructure perspective to a service perspective is not easy, especially for engineers and asset managers. In part the debate will often belongs to another director or business unit within council. A detailed discussion on defining service levels for asset management is the subject of another paper by the authors.

Benchmarking Infrastructure and Service Performance Costs

There is no doubt that Local Government is under increasing pressure to give account for its economic performance in respect to the management of community infrastructure and assets. The recent tranche of federal funding delivered to Councils comes with some very strong requirements for councils to provide consistent asset data and financial reporting [PM CONNECT].

One of the early motivation behind the star rating was that it enabled councils to benchmark their performance in creating and maintaining community infrastructure. However a benchmark set at too coarse a level of categorisation could potentially results in meaningless and counterproductive measures. An aquatic facility in a rural community is not the same as an aquatic facility in a metro community. A playing field fit for junior sport may not be the same as required for regional competition.

In rating vehicles the motor industry has 12 categories of vehicle, such as, small cars, cars under \$28,000, luxury sedans etc. Each category is then assessed against 3 criteria; Value for Money; Design and Function; On Road Performance. These criteria are further subdivided into 19 sub-criteria, creating an overall 12 x 19 = 228 assessment array.

The other major factor in benchmarking services is their level of use. A sports facility used twice a week may require a very different level of infrastructure to support the same outcomes as a sports ground in the heart of a dense inner metro area with a very large growth in young families that is used over 30 times a week. To support 30

match and training session may require lighting, irrigation, drainage and even an artificial playing surface. Does this make it a better facility than the simple grass pitch? The outcome to the sports clubs is just the same, they train and play their matches on a playing field that is "fit for purpose". The unit cost per participant may be vastly different, the cost of lights and artificial surfaces may place the high usage facility way above that of the low usage facility. Should this change its star rating, given that one of the criteria may be value for money? Without lights training opportunities are limited, without an artificial surface the opportunity for community based sport is restricted and the desired community outcomes are not achieved. Both facilities enable the same outcome - local league sport. The authors believe it should be the service and asset managers that determine the infrastructure requirements given the community demand for service outcomes.

Ask the community about the asset and they will often define the service outcome they wish to achieve in terms of the solution - a better asset. Floodlighting, artificial surfaces etc., this potentially locks the service manage into asset based solutions. Rather, the consultation with the community should be on the level of service they want, independent of the assets that enable it.

Many of the service costs are not linked to the asset, a better asset may not always result in a better service. Expensive self-contained toilets placed every 100m along a foreshore may not improve the service outcome if they are not adequately maintained. In fact inspection and servicing may be far more important than the asset fit-out.

We suggest that in benchmarking cost is not the asset cost nor just the asset maintenance cost but the broader service cost that must be considered.

Conclusions

Star rating systems have their place and value. They provide a simple communication tool by which the public can assess the overall service provided by council.

Before developing a local government star rating system we must be clear about what it is we are rating.

There are currently mixed systems, some councils are using the rating system as an absolute measure of their facility, the more it has the better the star rating. Others are using it to provide a score relative to the requirements of the community. The better it fits the desired outcomes the higher the rating.

Having two very different systems sends mixed messages and we recommend local governments determine what purpose they wish to achieve from having a star rating.

There is a strong temptation to rate the quality of the asset and to engage the community in setting the required asset star rating. We suggest this is a mistake. Rating the asset and involving the community will ultimately lead to a better assets, not necessarily better service outcomes. We recommend scoring the service outcome, how well does the service meet the outcomes set by the community. Let the professional asset managers and engineers then determine the most innovative and effective way to achieve these outcomes.

Star rating to provide a benchmark for costs may be relevant in an absolute star rating system that compares one facility with another. However, using it as a benchmark for costs in a relative scoring system, where the score reflects council's ability to meet community needs is fraught with difficulty as there are no common baselines. A relative star rating system is of limited value in benchmarking cost between councils.

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Authors Biography (100 words):



Dr David Platt

For the last 20 years David has been modelling complex messy situations, from stochastic analysis of fire-spread through to analysis of cultural drivers in organisational change.

Over the last 10 years David has worked extensively with Australian Local and State governments and has been privileged to have worked on several innovative developments in services delivery and information infrastructure that supports much of our community activity.

David's has two primary interests in asset management, namely, understanding the services outcomes that drive our investment in infrastructure and the development of reference models that support the collaborative exchange and use of this knowledge.



Graham Jordan

Graham Jordan has over 35 years experience in Australian infrastructure management. He has qualifications in civil engineering, economics and obtained a Master of Business Administration in 1992. Graham's professional experience includes state and local government and the private sector.

Within local government, Graham was at the forefront of the implementation of Asset Management to improve the delivery of infrastructure services. Since 1996, Graham has worked as an independent consultant assisting clients to gain asset management skills through recent assignments for in Queensland and interstate. As part of the Queensland Roads Alliance project team, Graham has assisted with development of asset management and program development initiatives for the Road Alliance.

In 2008 Graham was invited to become a Research Fellow with the Queensland University of Technology for the CRC for Research Fellow, Cooperative Research Centre for Integrated Engineering Asset Management.

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