

BW Steady State Maintenance Model

I was in Watford on Thursday 29th January 2009 to hear BW on their Steady State Maintenance Model.

This was a meeting arranged by IWA, to which other user groups were invited.

The user reps were:

NABO David Fletcher
CBOA John Dodwell
BMF Howard Pridding
RBOA Rex Walden
AWCC David Pearce
SOW Will Chapman
IWA, Clive Henderson, Vaughan Welch, Jo Gilbertson, Tony Harison, David Padfield
BW led by Simon Salem and Sally Ash

Presentation was by Financial Controller Debs Hurst and accountant Daniel Sanders from BW.

Firstly the steady state model is a finance tool, made on an excel spread sheet. It is an activity model about planned expenditure, not actual expenditure.

BW have created cost centres in SAP for every km of canal and every asset (bridge, lock etc.) Then they have identified generic routine and major repair tasks for all types of assets, a desired frequency, and a unit cost, and some location factors. So they have square meters of grass, tow path etc, numbers of lock gates, and then the routines of cutting, re-grading, renewal etc.

They put all this into the spread sheet, multiply up the totals, average over the year, and split by region. The total is £125m of which they are funding 80%. This is the base line budget for each region, against which they report costs, booked in SAP. The region have some discretion over what they actually spend the money on, but head office dictate certain things, like the inspection programme, safety standards, heritage, integrity risk.

Finance use the model to challenge the region over what they spend in what area, to justify the individual needs and the special cases of need. If a region has an unforeseen repair to do, they must make cost reductions elsewhere within their own allocation. If they get a major cost like Stourbridge breach, then all regions have to give money back to fund it. They have looked at usage of locks, but this is not a big enough factor to take into account.

So the 80% factor can be achieved by for example by:

1. Lengthening the frequency (cutting grass eight times instead of 10)
2. Doing a cheaper job, make do and mend
3. Finding a cheaper way (contract out, work more efficiently, new tools etc)
4. Just not doing 20% of the work year on year or any combination

A few out takes from Simon Salem:

1. The Board are aware of the cost reduction decisions made and take responsibility for them.
2. Government knows that it does give enough money for the waterways to be maintained in accordance with the '69 Act.
3. BW have had a major hit every year eg. Mon and Brec, flooding, Stourbridge.
4. This is a balance between expenditure and asset integrity. BW can hold the line for three years, but not more.
5. Non exec directors looking at the way money is spent, and applying their knowledge to work methods.
6. Cost of bridge road side strikes and car removal are issues.

There were lots of questions, quite a few about the assets, rather than the model.

Not the right people there for that, so Simon Salem promised a separate engineering session on asset integrity, probably at BWAF

We asked a lot about benchmarking, not much response, they haven't done much and said that there was nobody to compare. Suggestions made.

Confirmed that management review took place on the regions to see that they were following instructions.

Overall I was impressed. They have good financial model , if rather unsophisticated platform, which in my experience is as good as it gets. There appears good connection between engineers and bean counters. It is only as accurate as the engineering assumptions of repair standards and cost, it should not be confused with actual costs or efficiency of work. As a benchmark it is good. They are tweaking it all the time, so we have to be careful that suddenly next year they have recalibrated, and the funding is 100% of steady state. That is called 'moving the goal posts'.

The SAP system can find costs at a great level of detail so long as the workers book the costs correctly. What they are doing is very detailed, from my experience, but not a major point of criticism. At this stage it is better than not enough detail. No problem with the energy and drive of the staff. Smart and committed.

David