

# **EXPLO National Manual of Assets and Facilities Management**

## **Volume 4, Chapter 1**

### **Financial Planning Introduction Guideline**

Document No. EOM-ZL0-GL-000001 Rev 001



## Financial Planning Introduction Guideline

### Document Submittal History:

Revision:	Date:	Reason For Issue
000	28/03/2020	For Use
001	18/08/2021	For Use



**THIS NOTICE MUST ACCOMPANY EVERY COPY OF THIS DOCUMENT**

**IMPORTANT NOTICE**

This document, ("Document") is the exclusive property of Government Expenditure & Projects Efficiency Authority.

This Document should be read in its entirety including the terms of this Important Notice. The government entities may disclose this Document or extracts of this Document to their respective consultants and/or contractors, provided that such disclosure includes this Important Notice.

Any use or reliance on this Document, or extracts thereof, by any party, including government entities and their respective consultants and/or contractors, is at that third party's sole risk and responsibility. Government Expenditure and Projects Efficiency Authority, to the maximum extent permitted by law, disclaim all liability (including for losses or damages of whatsoever nature claimed on whatsoever basis including negligence or otherwise) to any third party howsoever arising with respect to or in connection with the use of this Document including any liability caused by negligent acts or omissions.

This Document and its contents are valid only for the conditions reported in it and as of the date of this Document.



## Table of Contents

<b>1.0</b>	<b>PURPOSE .....</b>	<b>5</b>
<b>2.0</b>	<b>SCOPE .....</b>	<b>5</b>
<b>3.0</b>	<b>DEFINITIONS .....</b>	<b>6</b>
<b>4.0</b>	<b>REFERENCES .....</b>	<b>7</b>
<b>5.0</b>	<b>RESPONSIBILITIES .....</b>	<b>8</b>
<b>6.0</b>	<b>PROCESS .....</b>	<b>9</b>
6.1	Guidelines to Financial Planning .....	10
6.1.1	Process of Financial Planning .....	11
6.1.2	Objectives of Financial Planning .....	11
6.1.3	Investment Decisions .....	11
6.1.4	Factors Affecting Investment Decisions .....	12
<b>7.0</b>	<b>METHODOLOGY .....</b>	<b>12</b>
<b>8.0</b>	<b>ATTACHMENTS .....</b>	<b>13</b>
	Attachment 1: National Manual of Assets and Facilities Management Volume 4, Contents List .....	14



## 1.0 PURPOSE

The purpose of this document is to provide guidance and an understanding on fundamental principles for Entity's financial planning of the assets across their lifecycle to develop and adopt within their Asset Management activities. This guideline is based on best and international practices, taking into account Financial Reporting Standards on Fixed Assets.

This introduction sets out the principles and the fundamental framework for the implementation of financial planning as a vital tool of the 'management control systems', in order to optimize the efficiency of Entity's assets and properties. It will guide Entities in managing the financial elements of "assets" across their assets lifecycle from planning through design, construction, operation and maintenance up to disposal. Financial planning also enables Entities to use effective strategies to evaluate and control asset portfolio risks in the development of Capital Expenditure (CAPEX) and Operational Expenditure (OPEX).

The application of the principles of Life Cycle Costing (LCC), Design Reviews, Obsolescence Management, Budget Principles and Cost Indices, will be presented each in a separate procedure document within this Volume. These will form the key tools for robust financial planning leading to optimum financing and investment decisions. Further, these will enable and help the Entities to develop and deploy a robust financial framework, to embed risk based prioritization and support "monetization of risk". The important purpose is to optimally manage and justify the decision making process to either Capital Expenditures (CAPEX) or rationalized Operational Expenditure (OPEX).

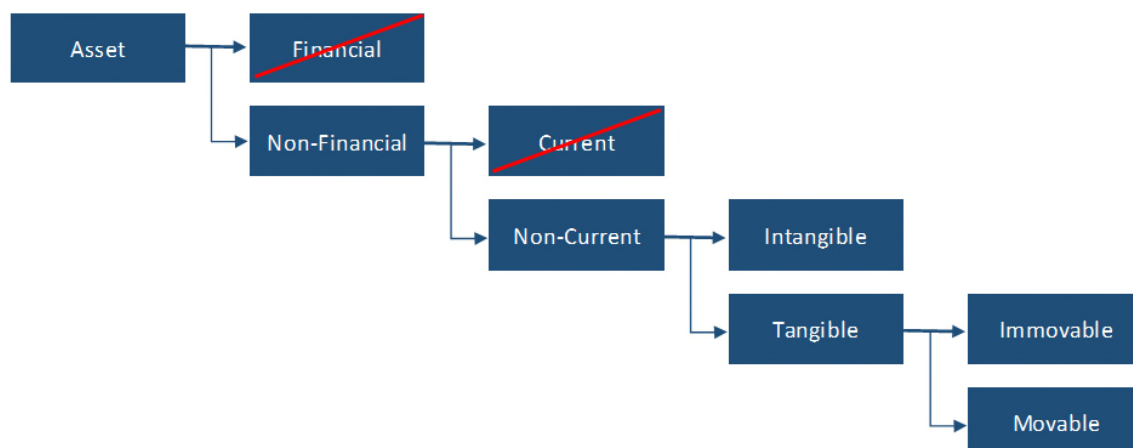
This Volume, must be applied in conjunction with the others in the National Manual of Assets and Facilities Management NMAFM.

Financial planning sets out the framework for utilization and allocation of the budget for Asset Management to different type of assets.

## 2.0 SCOPE

The Scope within this document is to clarify the best practices for the steps and processes to carry out financial planning within the context of the applicable standards, see Figure 1 below.

Financial Planning shall cover all classes of assets, including non-financial, fixed (non-current) (within the entity's own or managed natural asset boundary, operable or non-operable), tangible or intangible and physical 'movable or immovable' assets.



**Figure 1: Financial Planning to relevant Asset Classification**

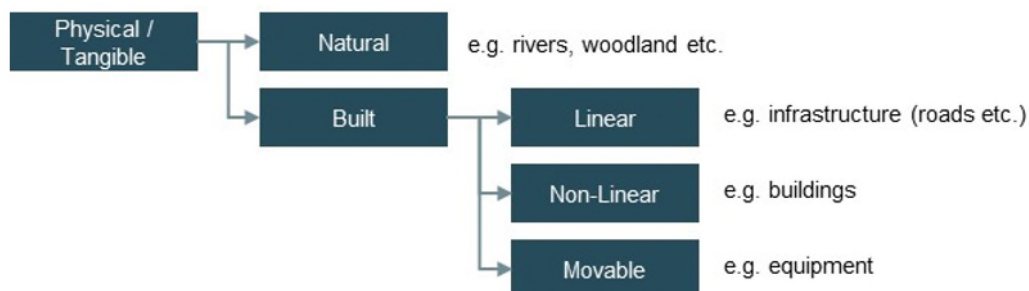
Further, the scope of this document; introduction guideline on asset's Financial Planning, aims to guide Entities to conduct optimum financial planning and asset-related cost management. Entities may choose, while maintaining the Policy purpose and intention of their relevant asset, to develop the requirements



## Financial Planning Introduction Guideline

further, reflecting any unique specialty for the assets, Asset Management or for the Asset Management System.

The approach to implement the financial planning is to cover all assets types; physical / tangible built / constructed, existing occupied or non-occupied, operating or non-operating, linear and non-linear or movable assets. This approach applies to all asset classes mentioned above. It also applies to all types of assets under planning for construction, including new under construction, renovation and/or refurbishment of existing assets, Figure 2 below displays the asset types.



**Figure 2: Physical/Tangible Asset Type**

This document will introduce Entities to the interrelationship of the different aspects of Volume 4, between the whole stages of Assets Lifecycle Costing, Design Review and Budgeting, within the context of Financial Planning.

### 3.0 DEFINITIONS

Term	Definition
Asset	An asset is an item, thing, or entity that has potential or actual value to an organization. The value will vary between different organizations and their stakeholders, and can be tangible or intangible, financial or non-financial.
Asset Management	The coordinated activity of an organization to realize the full potential of any asset.
Asset Management System	Set of interrelated or interacting elements to establish Asset Management Policy, Asset Management Objective and processes to achieve those objectives. (i.e. management systems for the management of assets).
Asset Management Policy	A short statement that sets out the principles by which the organization intend to apply the asset management system to achieve its organizational objectives.
Asset Management Plan (AMP)	Asset management plans (AMPs) define the implementation activities necessary to realize an organization's asset management objectives which translates the strategic intent of the Entity.
Asset Category	Asset Category Sub-group of assets within a class hierarchy for financial reporting and management purposes.
Asset Class	Asset Class A group of assets having a similar nature or function in the operations of an entity, and which, for purposes of disclosure, is shown as a single item without supplementary disclosure.
Asset Data Policy	This mandates the asset data structure and the asset class metadata rules to be adopted across asset lifecycle from concept to disposal.
Asset Lifecycle	The phases an asset transitions through from planning to disposal.
Asset Management Objective	Derived as part of the SAMP are the aligned activities set by Entity and consistent with Organizational Objectives and Asset Management Policy to



Term	Definition
	achieve specific measurable results. It provides the essential link between the organizational objective and the Asset Management Plan (AMP) that describe how those objectives are to be achieved.
Asset Management Process	The method used to implement an Asset Management System.
Enterprise Asset Management System	The process of managing the lifecycle of physical assets and equipment in order to maximize their lifetime, reduce costs, improve quality and efficiency, health of assets and environmental safety.
Asset Management Software (AMS)	Also known as an asset management tool or solution, is a dedicated application that is used to record and track an asset throughout its life cycle, from procurement to disposal.
Asset Register (AR)	A list of all assets, often computerized, that contains pertinent details about each asset to track the value, physical location, operating cost, condition, utilization, and all other details necessary to better manage the asset.
Condition Assessment (CA)	The process of periodic physical inspections, assessments, measurements and interpretation of the resultant data to indicate the condition of a specific asset.
International Standards Organization (ISO)	The international standard-setting body composed of representatives from various national standards organizations.
Linear Asset	Linear Assets often connect with each other, defined by the length (or area) and are often part of a network, i.e., rail lines for trains, water pipes for water and roadways for cars.
Non-Linear Asset	Non-Linear Assets occupy a specific space and can be tracked by their location. (Buildings, Offices, Plant and Equipment).
Operating context	The circumstances in which a physical asset or system is expected to operate.
Quality Management	Quality management is the act of overseeing all activities and tasks needed to maintain a desired level of excellence.
Strategic Plan	A plan containing the long-term goals and strategies of an organization.
Risk Appetite	The nature and extent of risks that the Entity is willing to take and will impact the asset base and its operating context.
Strategic Asset Management Plan (SAMP)	A plan that documents and specifies how the organizational objectives are to be converted into Asset Management objectives, the approach for developing Asset Management Plans and the role of the Asset Management System in supporting the achievement of Asset Management Objectives.
Strategic Plan	A plan containing the long-term goals and strategies of an organization. Strategic plans have a strong external focus, cover major portions of the organization and identify major targets, actions and resource allocations relating to the long-term survival, value and growth of the organization.
Through life engineering services	Set of capabilities, techniques and behaviors that are applied to major assets over their lifecycle to achieve optimum value in use at entry into service and through life.

**Table 1 - Terms & Definitions**

## 4.0 REFERENCES

- ISO 55000:2014 Asset management – Overview, principles and terminology, International Standards Organization
- ISO 55001:2014 Asset management – Management systems – Requirements, International Standards Organization
- ISO 55002:2014, Asset management – Management systems – Guidelines for the application of ISO 55001, International Standards Organization



## Financial Planning Introduction Guideline

- ISO 41001:2018 Facility management - Management systems — Requirements with guidance for use, International Standards Organization
- ISO/TS 55010:2019 Asset management — Guidance on the alignment of financial and non-financial functions in Asset management, International Standards Organization
- ISO 9000: 2015 Quality Management Systems
- ISO 20815:2018 Petroleum, Petrochemical and natural gas industries- Production assurance and reliability management
- ISO 31000:2018 Risk Management Guidelines
- ISO 8008-8:2015 Data quality – Part 8: Information and Data quality: Concepts and Measuring
- BS EN 62508:2010 Guidance on Human aspects of dependability
- PAS 280:2018 Through- Life Engineering Services- Adding value through a common framework guide
- BS EN 16991:2018 Risk- based inspection framework

### 5.0 RESPONSIBILITIES

Role	Description
Entity Asset Management System Teams	<ul style="list-style-type: none"><li>• Entities Asset Management Teams shall be established and be mandated from Entities Leadership to take full responsibility to develop, adopt and undertake full ownership of structuring an effective and applicable Asset Management System to the Entity. The process will be achieved by following the guidelines, manuals, and procedures as provided by Expro within the NMAFM.</li><li>• Entity Asset Management System Team in each Entity shall cooperate with Expro Asset Management Team representatives and take the lead within their Entity to effectively and positively develop the Asset Management System transformation and implementation.</li></ul>
Entity	<p>Each Entity will have the following responsibilities and be accountable for:</p> <ul style="list-style-type: none"><li>• Developing, deploying and monitoring the Asset Management System, designing the inter-organization interface across the entity to manage assets and assets systems and risk across their lifecycle.</li><li>• Establish standards and performance measures for the Asset Management System and Entity specific management systems.</li><li>• Provide support and advice on development and deployment of the Asset Management System.</li><li>• Responsible for developing the risk management system for all the entities conforming to Saudi Law, Industry-specific regulation and Risk appetite of the Entities.</li><li>• Prepare plans for appropriate Condition Assessment (CA).</li><li>• Ensure that Condition Assessment is aligned with Government Regulations and the details laid out in the NMAFM particularly Volume 3.</li><li>• Identify or source the appropriate resources to carry out the Asset Management System tasks.</li><li>• Train or brief (whichever is more appropriate depending on resources selected) the selected resources to ensure uniformity across all asset categories and conformity to the NMAFM.</li><li>• Assist in the compilation of the Condition Assessment Report, particularly in the prioritization of assets and possible future requirements for the use of assets</li><li>• Plan and implement recommendations established by the Condition Assessment Report.</li><li>• Establish Entity Specific Asset Management Stewards and Entity Champions to accelerate and deploy asset policy.</li><li>• Establish Entity Specific Asset Data Management Stewards and Entity Asset data Champions to manage data quality to the highest standards.</li><li>•</li></ul>





## Financial Planning Introduction Guideline

Role	Description
Delivery Team	<ul style="list-style-type: none"><li>• Understand, develop, and prepare Asset Management System requirements to undertake the policy deployment, scenario modeling and which cope with the complexity of work specific to each entity.</li><li>• Provide and train competent and authorized personnel to empower and steward champions to support the implementation of Asset Management System.</li><li>• Follow agreed procedures and commit to project timelines.</li><li>• Carry out job risk assessments, support development of methods and work statement and support Risk Assessment Management System RAMS (Risk Assessment and Method Statement) across the Entity's asset portfolio.</li><li>• Provide a detailed report and advice based on facts and evidence, in collaboration with the Entity.</li></ul>

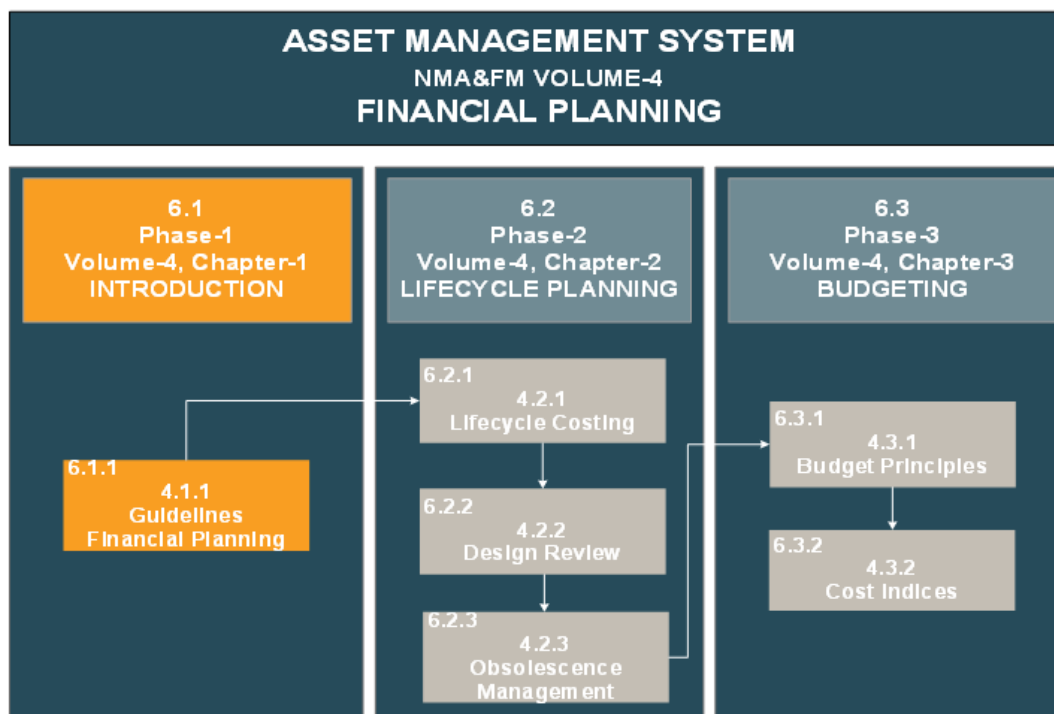
**Table 2 Responsibilities and Accountabilities**

## 6.0 PROCESS

The full benefit to Entities of completing the Financial Planning activities in this volume will only be realized if the data derived from the creation of an Asset Register and from a comprehensive Condition Assessment exercise, as described in Volumes 2 and 3 respectively, have been carried out.

Listed below are the major activities described within Volumes 2 and 3 that will enable the preparation of a financial plan:

- Entity Policy at the top level together with interdepartmental policies, shall be defined and put in place. See NMA&FM, Volume 2, Chapter 2, the Asset Management Policy Procedure EOM-ZA0-PR-000007.
- Entities should have defined the asset boundaries for owned and natural assets to be operated and maintained by Asset Management within the Asset Management System. See NMA&FM, Volume 2, for the developed and structured Asset Register (AR) Procedure EOM-ZA0-PR-000004.
- An understanding of the asset values, maintenance needs, required deliverables, who are the targeted customers, and what it takes in terms of “resources and financing” to deliver sustainable and acceptable service levels, is required. Much of this understanding comes as a result of carrying out well developed and structured Asset Condition Assessments (CA), see NMA&FM, Volume 3 and subsequent procedures starting with the Condition Assessment Introduction Guideline EOM-ZC0-GL-000001.
- Subsequent to the above actions, Entities will further develop their overall Asset Management Plan (AMP), and Strategic Asset Management Plan (SAMP), see NMA&FM, Volume 2, Asset Management Plan and Implementation Procedure EOM-ZA0-PR-000002.
- When that exercise is completed, Entities will have articulated their overall and departmental Asset Management Objectives.
- The achievement of these objectives will require competent and skillful resources and detailed long term Financial Planning, as detailed in the processes below.



**Figure 3 - Phases to formulate Asset Financial Planning**

## 6.1 Guidelines to Financial Planning

Entity Finance Department will require the Asset Management team to contribute to and prepare a complete Asset Financial Plan before initiating any new financial activity concerning the management of assets. Asset Financial planning is the plan needed for estimating the fund requirements for managing the assets. Financial planning shall be the key focus of the Asset Department.

Entity's Asset Management team shall consider the guideline procedure and processes described below to coordinate with all shared services including Entity's Financial Department, in performing the full investigations and implementation of procedures in this volume, these are as shown in Figure-3 above 'phases to formulate Asset Financial Planning', Entity's Asset Management team shall Conduct the Lifecycle costing for the assets in the Asset Register (AR) by implement requirements in the following National Manual of Assets and Facility Management Volume 4, documents in the sequence defined:

- |                              |                   |
|------------------------------|-------------------|
| 1. Condition Assessment      | EOM-ZL0-PR-000001 |
| 2. Conduct the Design Review | EOM-ZL0-PR-000002 |
| 3. Obsolescence Management   | EOM-ZL0-PR-000003 |
| 4. Assets Budget             | EOM-ZL0-PR-000004 |
| 5. Cost Indices              | EOM-ZL0-PR-000005 |

In managing the assets; the Entity Asset Management team shall define the expenditures to operate and maintain the assets (OPEX) with justified reasons as to why this is expected to achieve the delivery of the services. The Entity Asset Management Team shall compile the asset financial plan and categorize the expenditures types within the following categories:

- CAPEX is the total government spending on infrastructure development projects and acquisition of fixed assets such as construction, equipment, and real estate for the purpose of economic and social development.



## Financial Planning Introduction Guideline

- OPEX is the total government spending on wages, salaries, and pensions, allowances, purchase of goods and services, maintenance and operation of fixed assets and social security and government support programs.

Financial Planning essentially includes generating a financial blueprint for the Entity's future activities. It is typically created for 3-5 years or longer periods based on asset classification criteria. This is broad in scope and generally includes long-term investment, growth and financing decisions.

The Entity Financial Department shall normally provide customized templates to the Asset Department for completion of the financial requirements. These templates will be required to prepare the Entity's Budget for further approvals at the appropriate level of authority. Approval depends on various factors including cost, duration and urgency for; projects, normal replacements, refurbishments, or for emergency requirements. This template should also include operations and maintenance expenditure.

In carrying out Financial Planning, the Asset Management team needs to understand and consider the following guidance.

### 6.1.1 Process of Financial Planning

- Prepare estimated revenue and returns based on asset assumptions and approved objectives and based on proposed CAPEX / OPEX works.
- Evaluate and decide the amount of funds required, with the applicable formal justification, both fixed (CAPEX) and working capital (OPEX). The justifications shall be supported with the Asset Condition Assessment findings, also with the objectives related to bringing the asset to the required operational level.
- Explain the expected benefits and profile the funding requirements over time.
- After funding is secured set up the predicted cash-flow requirements in the financial system.
- During the budget cycle, capture accurate data for record keeping purposes.

### 6.1.2 Objectives of Financial Planning

Entities justify the capital and operation expenditure for the forthcoming year on an annual basis at the time of budget submission. At that time each Entity demonstrates how it plans to achieve its objectives in the next budget cycle. When the financial planning has been done thoroughly then the Entity can unambiguously demonstrate the reasons to be allocated the budget it asked for.

Good planning can prove most beneficial when budgets are tight. When capital budgets are prioritized in terms of delivering the future and timing of expenditure, delaying one element of the CAPEX plan until the following year can help an Entity deal with an emergency. When done in a controlled way it minimizes the impact on the long term plan. Increasing the budget priority for the delayed element during the planning of work for the next financial year will bring the Entity's long term mission back on track.

Formally managing and reporting on the use of the allocated funding is a key component to helping Entities understand how much money is needed for OPEX in future. Entities shall diligently plan and monitor operational spending on a monthly basis to manage their budgets more effectively. Understanding Entity spending patterns and expenses enables the anticipation of needs in the next budget cycle. Better financial understanding can be achieved when measurable budgetary goals are set, the effects of operational decisions are evaluated and understood, and the overall results are reviewed, analyzed and reported on. All of these activities make the financial planning process more straightforward at the time of budget submission.

### 6.1.3 Investment Decisions

When it comes to long term expenditure on Assets, Entity decisions will revolve around renewal, refurbishment or replacement of assets. These decisions may involve comparing the options of leasing and building assets, taking a long term view of the future of how the Entity envisages how it will operate.



### 6.1.4 Factors Affecting Investment Decisions

Entities must understand what the future of their service to the public looks like in order to plan for it.

- What drives the scale and deployment of the service?
- Where will it be delivered?
- How big will it be?
- During which hours in the day will the service be delivered?
- Will the distribution, size and configuration of the current Entity assets match that future need?
- Will changes in technology affect how the service will be delivered?
- Which aspects of the service are currently working well and which are not?

Various capital budgeting criteria can be used to test different investment proposals. They take into account the amount of investment, as well as cash flow for the period of the investment, in order to choose the best proposal.

## 7.0 METHODOLOGY

Each Volume of the National Manual of Assets & Facilities Management has been created by a team of world-class experts in their field, using relevant Standards and best-practice knowledge based on decades of experience.

To ensure that the Entity is compliant with Royal Decrees, Local Standards, and Regulations and to support the Entities decision-making Process associated with the operation and maintenance of facilities, four tiers of linguistic classification have been used within the National Manual of Assets & Facilities Management as follows:



**Shall.** This is a mandated instruction which must be followed or adhered to (e.g., a Royal Decree, in country standards such as the Saudi Building Code).



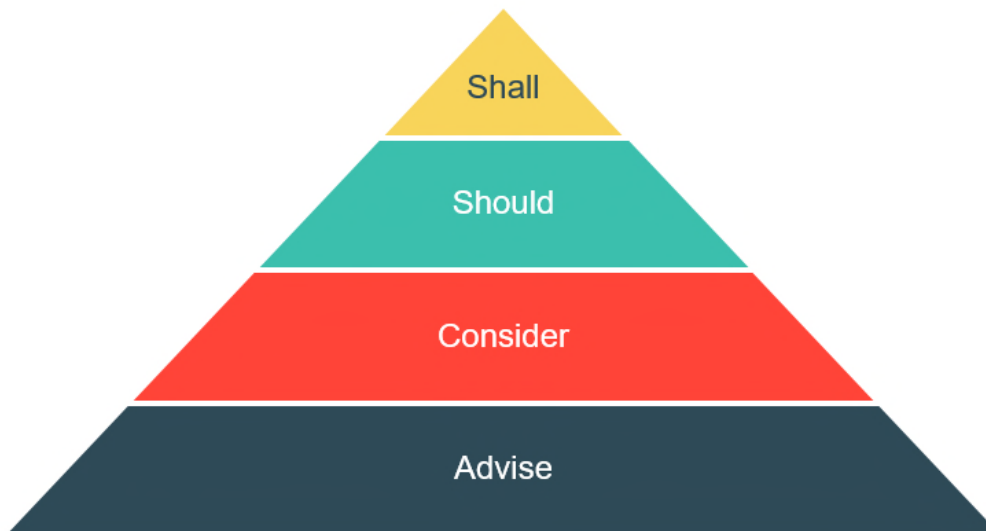
**Should.** This is an instruction or piece of information which is important and, while it may not be mandated to follow the advice, it is advisable to follow (e.g., international standards which are considered legislation in other countries).



**Consider.** This refers to advice or an instruction which is considered to be important, is worth following, and fits well for the purpose intended.



**Advise.** This generally refers to good practice and entails practical advice intended to raise standards and enhance quality.



## 8.0 ATTACHMENTS

1. National Manual of Assets and Facility Management Volume 4, Contents List.



## Attachment 1: National Manual of Assets and Facilities Management Volume 4, Contents List

National Manual for Assets & Facilities Management Contents List	Doc. No.
<b>Volume 4: Financial Planning</b>	
<b>Chapter 1: Introduction</b>	
Financial Planning Introduction Guideline	EOM-ZLO-GL-000001
<b>Chapter 2: Life Cycle Planning</b>	
Life Cycle Costing Procedure	EOM-ZLO-PR-000001
Design Reviews Procedure	EOM-ZLO-PR-000002
Obsolescence Management Procedure	EOM-ZLO-PR-000003
<b>Chapter 3: Budgeting</b>	
Budget Principles Procedure	EOM-ZLO-PR-000004
Cost Indices Procedure	EOM-ZLO-PR-000005