

Smart Spending for Local Council Maintenance: Prioritising with Asset Management



Just how much is the 'right' amount to spend on facility management? This question is as relevant as ever for organisations that own facilities, particularly those with responsibilities that cross into the public and community domain.

Local Councils, in particular, face the challenge of managing a wide array of public assets throughout their life-cycle. Councils do this whilst attracting greater public interest and criticism and increasing community engagement obligations. Indeed, Victoria's Local Government Act 2020 enshrines Community Engagement as one of five key principles for Local Council governance. Involving constituents in the decision-making process has never been more relevant than it is today.

A well-planned asset management approach is built to address the complex system of asset planning, acquisition, operation, maintenance, renewal and disposal, along with understanding each asset's life cycle. To future-proof the life-cycle of your facility, having a clear view of asset condition and the cost to maintain is essential. By understanding and benchmarking global best practice, Programmed continuously improves asset management practices to help Councils meet their requirements and apply sound financial governance; helping to optimise maintenance spend.

The ratio of maintenance expenses to total replacement asset value (RAV) is a globally accepted indicator, identifying the optimum maintenance expenditure to keep assets well-maintained before capital replacement becomes necessary.

The accepted % RAV globally is between 2.0% RAV and 5.0% RAV, however this varies significantly across countries and industry sectors. To get closer to the truth for Australian Councils, we looked at recently published, publicly available building maintenance data of 44 metropolitan and large regional Local Government Authorities (LGAs) across Victoria and New South Wales.

Based on this sample, 1.63% is the observed benchmark ratio of maintenance expenses to total replacement asset value. In other words, in Local Councils of Australia, Councils in Victoria and New South Wales spend on average 1.63% of their total asset replacement value on maintenance. This is shown in Figure 1.

Maintenance Cost / RAV

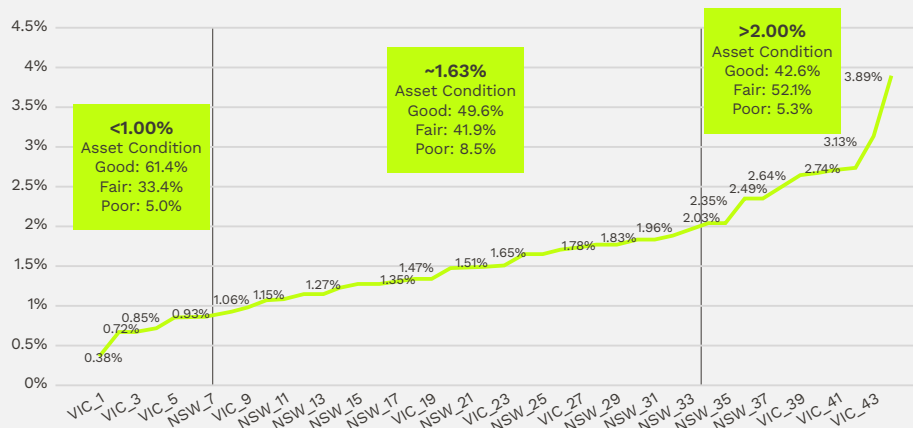


Figure 1: The observed RAV for 44 LGAs in Victoria and New South Wales, with 1.63% being the average ratio.

So what separates Councils that spend more than the average from those spending less?

In the simplest terms, it's the asset condition. The data tells us that Councils with assets in poorer condition spend more on maintenance.

Councils spending more than 1.63% RAV have a higher proportion of assets classified as being in 'Fair' condition, while Councils spending less than 1.63% RAV have more assets classified as being in 'Good' condition.

It is clear that understanding this data and adopting appropriate asset management practices will allow Local Councils to establish strong asset management frameworks that will be advantageous over the long term.

That said, knowing where to direct or prioritise spend is one of the biggest challenges for Councils given there is often no clear 'line-of-sight' across their asset base.

Whilst developing a strategic asset management plan might be relatively straight forward, operationalising it and being able to make data driven

decisions based on timely and accurate condition-based information is a frequent hurdle that can be hard to overcome without the right systems, processes and experience. Finding an expert partner to support this can help achieve optimal outcomes.

Location	#Council	Avr FM Spend vs Repl. Value %	Avr FM Spend \$
NSW	18	1.87%	\$ 8,110,353
VIC	26	1.47%	\$ 5,115,705
		1.63%	\$ 6,613,029

Figure 2: In Victoria, Councils spend 1.47% of their RAV on maintenance, while in New South Wales Councils spend 1.87%.

Things to consider

New South Wales Councils may be grappling with older facilities in more need of maintenance. For these Councils, a maintenance plan that identifies asset risk and recommends a commensurate maintenance response will start to prioritise spending and save money. Getting the best value from a diverse supply chain will also be critical to overall value. In addition, smarter planned maintenance spend can begin to identify savings in the form of bulk purchases and other such procurement strategies.

Victorian counterparts with facilities in better condition should be focused on a planned maintenance strategy that does not allow RAV to fall below its current ratio. By planning effectively, costs can be kept to a minimum, and critical assets kept available and operational for the benefit of your constituents. Over time, reduced spend can be re-invested into capital projects that benefit all community members.

Looking at the data in detail, we can see considerable discrepancy between Victorian and New South Wales LGAs. In Victoria, Councils spend 1.47% of the RAV on maintenance, less than the overall average, whereas their New South Wales counterparts spend 1.87%. This is shown in Figure 2. Based on this data, we can see that Councils in Victoria and NSW are facing distinct challenges.

Our contract executive David Morgan shares his experience in LGAs:

"Commonly, in the early years of a contract, we face a significant amount of high-priority reactive maintenance. This results in an unpredictable cost profile, making it difficult for our customers to effectively manage their budget and meet community expectations. In partnership with our customers, we address this issue by implementing a comprehensive asset management approach and ensure transparency in our actions. We were able to decrease high-priority reactive maintenance by 57% in the first year for one of our customers. This was achieved through our focus on improving our first-time fix rate, providing quality training, managing spare parts effectively, and ensuring that the right tools were available for the job. This approach has resulted in improved customer satisfaction, increased efficiency, and more benefits for our field service team."



Using data to inform sound asset management practice

The goal is to enable Councils to establish strong asset management frameworks that will deliver long-term benefits to communities across Australia. Understanding how and where to prioritise maintenance spend is one of the biggest challenges facing Councils that often lack clear 'line-of-sight' across their asset base. Also, meaningful data-driven decision making relies on timely and accurate condition-based information. This can be difficult to attain without the right systems, processes and 'in house' experience.

A specialist partner can help to achieve optimal maintenance and financial outcomes as well as developing strategic asset management plans and more importantly, operationalising them.

Programmed Facility Management has a long history of working with Councils and State Government customers across the country. We apply asset management principles that are aligned with the ISO 55001 standard for Asset Management. If you are in need of expert guidance on your maintenance approach, please contact us. **For more information, visit programmed.com.au.**