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INDUSTRY THOUGHT LEADERSHIP · ASSET MANAGEMENT

Smart Spending for Local Council Maintenance: Prioritising with Asset Management

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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 a facility, having a clear view of asset condition and the cost to maintain is essential. Understanding and benchmarking against global best practice helps Councils meet their requirements and apply sound financial governance, helping to optimise maintenance spend.

Benchmarking 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% and 5.0%; 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, Councils in Victoria and New South Wales spend on average 1.63% of their total asset replacement value on maintenance.

1.63%	2.0–5.0%	0.38–3.89%
Average maintenance spend as a share of RAV, 44 LGAs	Accepted global range of % RAV	Observed range across the sample

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.

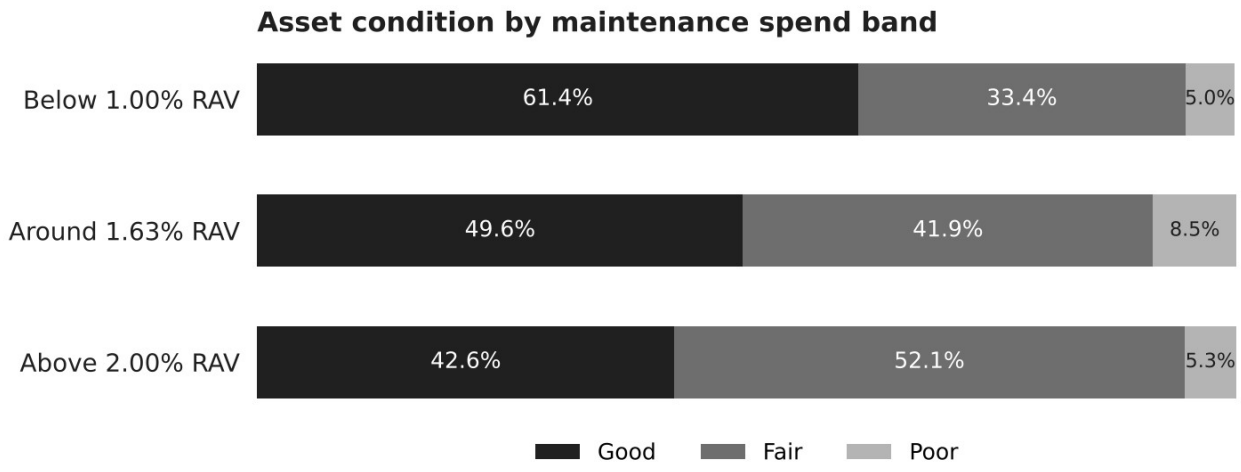

Figure 1: Asset condition profile by maintenance spend band, 44 LGAs in Victoria and New South Wales. The average ratio across the sample is 1.63% of RAV.

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 straightforward, 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.

Victoria and New South Wales face distinct challenges

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%. Based on this data, we can see that Councils in Victoria and NSW are facing distinct challenges.

Location	Councils	Avg FM spend vs replacement value	Avg FM spend
NSW	18	1.87%	$8,110,353
VIC	26	1.47%	$5,115,705
All	**44**	**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 constituents. Over time, reduced spend can be re-invested into capital projects that benefit all community members.

> **PRACTICE INSIGHT**
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> Commonly, in the early years of a Local Government maintenance contract, there is a significant amount of high-priority reactive maintenance. This produces an unpredictable cost profile, making it difficult for Councils to manage their budgets and meet community expectations.
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> Implementing a comprehensive asset management approach, with transparency in delivery, addresses this. In one LGA contract, high-priority reactive maintenance fell by 57% in the first year, achieved through a focus on improving the first-time fix rate, providing quality training, managing spare parts effectively and ensuring the right tools were available for the job. The result was improved customer satisfaction, increased efficiency and better outcomes for the 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. Asset management principles aligned with the ISO 55001 standard for Asset Management provide a sound basis for this work.

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