

8. ISSUES AND CONSTRAINTS FOR LOCAL GOVERNMENT EXPENDITURE

8.1 Non-Asset Expenditures

8.1.1 Scope of Expenditures

Expenditures on the maintenance and renewal of infrastructure assets are significant, but only part of the total outlays for councils. The following piechart, based on the 1997/98 budgeted outlays provides a pictorial representation of the non-asset expenditures of councils.

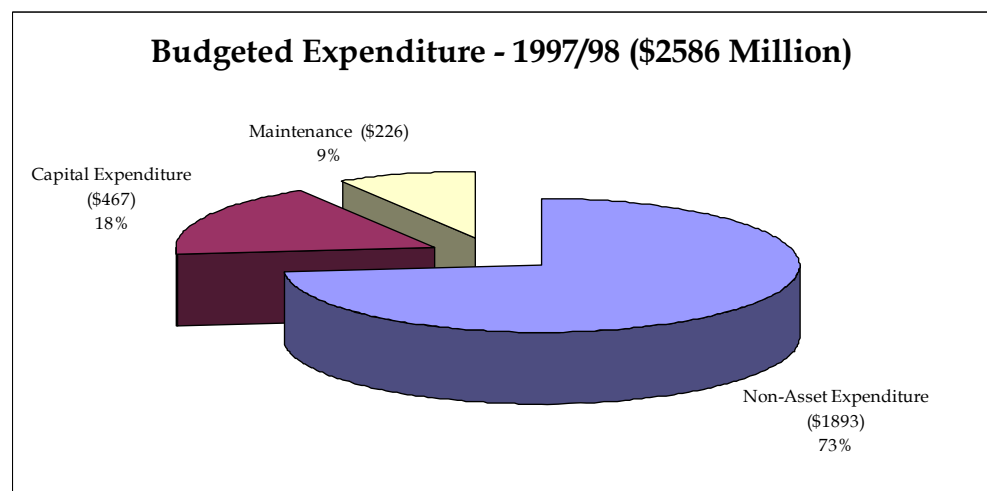


Figure 8.1

8.1.2 Discretionary and Non-discretionary Expenditures

Many of the expenditures that councils incur are, in the short-term, non-discretionary. (Some ratepayers view all council expenditures as non-discretionary!) Non-discretionary expenditures relate to the carrying out of functions imposed by statute, legal liabilities, contractual obligations, governance and public order and safety. In framing a council's budget, the major constraint is the level of non-discretionary expenditure. Sometimes, the amount of non-discretionary expenditure can be reduced by changing the method of service delivery to reduce costs.

To a large extent, expenditure related to assets is viewed as non-discretionary yet there are opportunities to reduce or eliminate such expenditure. A number of councils are involving their communities more fully in the maintenance of assets, as the following examples show.

Service Clubs – Serving the Community

Parks and gardens in the Shire of West Wimmera are created and maintained by local service clubs. The efforts of those clubs enhances the quality of life of rural communities and allows the council to use scarce resources in other areas.

Community Involvement

All of the rural recreation facilities of the Rural City of Ararat are managed by Committees of Management who are responsible for the day-to-day operation and maintenance of the facilities under their control. Council contributes to major upgrading works at these facilities.

Community facilities are maintained by the users for the users to the standard required by the users. This system generates a feeling of equity in the facility for the users, and consequently the facilities are kept in excellent condition at very little cost to Council.

Non-discretionary expenditures can be reduced by a careful examination of all aspects of service delivery and the elimination or reduction of non-essential parts of the service.

8.2 Reducing Expenditure Constraints

8.2.1 Resource Sharing/Joint use of Facilities

The functions undertaken and the similarity of services provided by local governments give rise to opportunities for councils to join together to arrange for the provision of those services within their council areas at a reduced cost. Such arrangements include joint purchasing activities to obtain better discounts through economies of scale to the creation of regional authorities to undertake or facilitate service delivery.

Two Councils Share Software Development Costs

The Manningham City Council has developed an Integrated Project Management package in association with the City of Knox which links the current years Capital Allocation to a time and cost monitoring process. The project managers use the application to manage the day to day aspects of Projects, single data entry, automatic extraction of financial information and preparation of Management Summary Reports. The System will allow for highlighting exceptions to designated performance tolerance standards.

The features of the system are:

- single entry of data;
- linkage to ledger for financial data;
- preparation of standard letters and tender schedules automatically;
- summary reports to management without loss of Contractor's Service Unit cost information; and
- it is based on readily available off the shelf, office standard computer software platform.

Resource sharing can be between local government and other bodies, as the following story illustrates.

R& D - Road Pavement Construction System with Swinburne University

Horsham City is situated on unique, highly expansive clays which, as a result of moisture variation due to seasonal and water activity, contribute to movement of subgrades. As a result, the local roads system has a much reduced serviceable life.

The localised effect of tree root activity and services within the road reserve also aggravates the deterioration process on Council road assets. In general road construction has traditionally been similar to other Municipalities.

Currently, with the objective of establishing procedures and standards that are special to Horsham unique subgrades, Council has joined with Swinburne University Research Staff to fund trials into the effectiveness of MOISTURE BARRIERS IN URBAN ROADS, to increase the useful life of future road construction and reconstruction.

The joining of Local Government and the Research and Development Resources of the University to solve a local problem, together with the allocation by Council of \$25,000 for Research and Development is a unique feature of this research.

8.2.2 Adoption of Improved or New Technology

The adoption of improved or new technology can assist councils to save costs and extend the useful lives of existing assets. Councils are doing this as the following examples show.

The introduction of life cycle costing at Maroondah City Council

Methodology used to maximise benefits

To implement the total life cycle asset management program, a need was determined to structure it from the top down. Corporate ownership of the function is deemed a necessity at Maroondah to ensure continuous improvement of the system.

The implementation program involves the following processes:

- Formulation of an overseeing asset management steering committee for development and implementation (the committee is multi-disciplined and representative of the major functions of the council).
- Education for organisational functions on the philosophies of total life cycle asset management.
- Developed total life cycle asset management policies and strategies to sit corporately over the entire asset management program.
- Developed asset management plans.
- Implemented data collection requirements of the total life cycle asset management system.
- Recorded all information on electronic recording system.

- Benchmarked asset management activities against best practices and implementation against industry best practice.

Highlights of benefits achieved

The immediate benefit being seen from the implementation of a total life cycle asset management approach to managing council's asset portfolio include:

- Knowledge of the totality of the asset base and its value
- An understanding of the condition of all assets
- The life cycle positioning of each asset
- Knowledge of the maintenance requirements of each asset
- Knowledge of the likely assets at risk of failure.
- An understanding of ongoing costs of keeping the assets at the present level of service delivery capabilities.
- The ability to conduct “what if” scenarios including the reduction of service provision standards.
- The ability to optimise the maintenance expenditure on a network basis and remove the squeaky wheel approach to maintenance activities.
- Ability to predict and therefore program maintenance activities, and associated down time to convenient and appropriate time frames.

The longer term benefits which will follow from this approach to the management of assets include:

- Extension of useful life of assets
- Minimisation of an asset's risk of failure
- Reduction in the costs of providing services
- Better accountability for an asset's performance and longevity.

Extending Road Pavement Life

The Baw Baw Shire is located in West Gippsland and experiences high rainfall, poor subgrades, increasing vehicular loads associated with milk, timber and quarry product cartage, all of which add to the problems experienced by an ageing road network. It is not surprising therefore that pavement rehabilitation funding in Council's annual road maintenance budget makes up a significant portion of that budget.

Baw Baw Shire uses a stabilisation technique to extend road pavement life. This commenced in earnest in 1986 in the Buln Buln Shire (now incorporated with Baw Baw Shire) and the experience over the last ten years has proven the value of the process.

Variations to the process can depend on the condition of the pavement, composition of the pavement material, traffic volumes and loads carted over the road. The treatment also sometimes requires initial treatment with lime where it is shown that the PI level of the pavement material is too high.

While costs can vary with each individual project, significant savings of up to 40% over the cost of total reconstruction are being achieved.

Before any decision is made to reconstruct a road, whether it be a rural road or urban street, it is strongly recommended that a cement stabilised pavement rehabilitation process be considered.

Microwave Towers

Due to the remote sites involved in the Communications Network for Moira Shire, microwave linking of service centre voice and data was chosen. The traditional connection via ISDN was not practical as it does not currently run to Tungamah or Nathalia. The yearly rental cost of a leased line is also expensive. Council chose to install the Microwave network that would run its voice and data to save money on phone calls as well. Internal calls between Service Centres are not chargeable with the current system. Council also receives a yearly income from rental of space on the towers, including Optus Telecommunications. The microwave network has achieved a high level of reliability when the amount of traffic running its bandwidth is taken into consideration.

Road Stabilisation and Re-Use

Due to the high cost and limited availability of road making materials, the Horsham Rural City Council projects are increasingly using STABILISATION of existing materials by various techniques. The costs of \$7-9/m³ on selected materials compares with \$15-20/m³ for new materials.

Particularly for reconstruction, the re-use and recycling of existing materials is proving a financially effective method of achieving a limited road reconstruction program.

Extending the Life of Rural Roads, Bitumen Reseals - Emulsion Enrichment

Due to the limitation of funding for resealing of local roads network on a needs basis at the Horsham Rural City Council, selected pavements have been programmed for EMULSION ENRICHMENT SEALS at HALF LIFE to preserve the asset.

Emulsion sprayed under controlled conditions to pavement where AGGREGATE IS STILL SERVICEABLE but bitumen is depleted will extend the life of low traffic rural roads by 5-7 years.

This freed up available funds for pavements requiring full reseals and ensured a maximum length of reseal per financial year.

The cost of emulsion enrichment is approximately 40c/m²
The cost of 10mm Reseal is approximately \$1.40/m²

Emulsion reseals have generally not been favoured owing to SHORT LIFE and problems of ACCESS immediately after seal. Funding limitations have caused a rethink until higher levels of funding can be restored.

Moral 1. With interest rates at 10% the reseal would need to produce a life of 'x' years before the emulsion enrichment treatment becomes not cost effective.

Moral 2. Even if the treatment is not cost effective when funding is available to choose between the two methods, it may be preferred as it provides a better DISTRIBUTION of benefits to ratepayers.