Brightly

Multi-budget funding

How improved predictive capabilities help optimise asset management

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State and local governments face a constant challenge: how to deliver traditional asset management practices balanced against community expectations and available funding. Addressing this challenge has become somewhat easier in recent years with the introduction of asset management solutions that let asset custodians conduct scenario modelling and what-if analysis.

However, these models don't always take into account the fact that funding comes from multiple sources, each with different conditions and caveats in terms of how it can be spent. This makes it challenging to determine the optimal use of funds from all sources. With a digital solution that takes this information into account, infrastructure agencies can optimise return on investment and build a compelling case for current and future funding allocation.

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Barriers to effective funding allocation

Asset life-cycle modelling is essential for best-practice long-term asset management. This lets decision-makers predict the future and understand the impacts of certain changes on the lifecycle and return on investment (ROI) of assets. For example, it lets decision-makers see what would happen if they replaced assets earlier, used a different type of technology, or allocated increased resources to certain maintenance activities. The outcomes of these models can help decision-makers clearly see the future impacts of today's decisions, facilitating smarter choices.

This approach makes it possible to optimise the value of assets over time. However, when the scenario modelling is based on incomplete information, it becomes difficult to trust the outcomes. While this approach can still significantly improve decision-making, it is limited because it doesn't include the full gamut of funding options.

Most government entities fund projects from a mixture of sources including direct revenue (such as taxes, rates and levies), grant funding (such as stimulus packages, federal and state assistance), and contributed or gifted assets (such as assets constructed by a developer and handed to council to maintain). This changes the game because grant funding comes with rules around what it can be spent on and when. Therefore, it's not possible to treat various funding sources as a single bucket of money.

It is possible to conduct scenario modelling with different types of funding and then aggregate the results. However, this manual process is time consuming and error prone, and introduces complexity. It doesn't necessarily provide a highly accurate view of all the potential outcomes, nor does it optimise the expense allocation.

The benefits of multi-budget funding scenarios

Being able to account for different funding sources in a single scenario delivers three key benefits.

1. The ability to create a **long-term financial strategy** that optimises the asset investment over time.

2. An increased ability to create **compelling business cases** for future funding, potentially unlocking significant funding streams for governments.

3. An enhanced ability to **report accurately** on spending.

Optimising the asset over time

Understanding each of the variables that contribute to the overall management of an asset can help decision-makers gain confidence that data-driven insights are accurate, illuminating the path forward. These variables include:

- the amount of funding available

- the source of the funding

- constraints associated with funding types

- whether to repair, rehabilitate, or reconstruct the existing asset, or build a brand-new one.

Once the decision-makers understand the candidates for different types of funding, they can use this data to create the scenario models. Importantly, all of this information can be included in a single model rather than be considered in isolation. By considering this information together and in context, decision-makers can make informed choices around where to allocate funds and how to optimise investments over time.

Building a compelling business case for future funding

Putting together proposals for future funding requires asset managers to extrapolate the long-term effect that additional funding would have on the asset. For example, it may be that an expenditure in the next six months could prevent the government from spending considerably more than that down the track. Or an investment in an asset now will preserve that asset for longer to deliver a better quality of service to the community it services.

A multi-budget scenario model can help asset managers create stronger business cases built on data-driven insights and a comprehensive analysis of all the variables and alternative scenarios. This means they can present the best possible business case to secure the funding that best optimises service delivery.

Reporting on expenditure

Good business practices require governments to be able to forecast where money will be spent based on various income scenarios. Being able to create these forecasts accurately and in a timely fashion improves the reporting process in a way that is repeatable and transparent and lets decision-makers see the impact of their decisions over time. It can also help determine what funding may be required in the future to manage assets based on growth projections.

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Multi-budget funding scenarios in action at Tasmania's Department of Education

The Department of Education (DoE) Tasmania needed to ensure its portfolio of essential community facilities was maintained and preserved in a manner which managed, costed and mitigated future risks to service delivery. The team needed an evidence-based asset management plan and a clear understanding of current and future state to secure critical funding.

DoE Tasmania worked with Brightly to gain a clear picture of the assets DoE Tasmania is responsible for and how its decisions impact the community into the future. With accurate, evidence-based plans, political bias was removed from project selection processes. Importantly, lifecycle scenarios meant DoE Tasmania decision-makers could optimise their investments in education facilities based on current service provision and future utilisation and occupancy.

As a result, DoE Tasmania put a meaningful four-year strategy in place, underpinned by the ability to plan more than 25 years into the future. This put DoE Tasmania in a strong position to receive COVID-19 stimulus funding and resulted in an additional $16.5 million in stimulus funding to date.
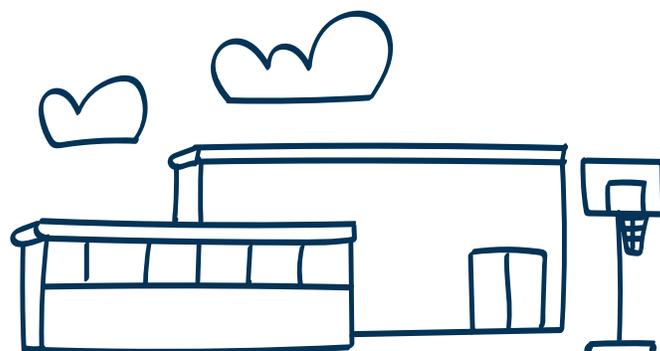
Craig Grace, Manager Asset Management and Planning, DoE Tasmania, said, "For us, building a case for current and future funding was really important; there has never been a better time than now to ensure scarce funding is spent optimally. We now have confidence our data is painting a true picture, and our information is powerful. At the click of a few buttons, we can show the decision-makers where money is best invested. We have $3 billion plus in assets; our investment in asset systems and data means we are able to meaningfully inform critical decisions about how to manage these assets, at a cost that is a minute percentage of our overall portfolio value."

Finding a way to communicate the funding challenges our industry faces and engaging with the community may sound boring to some - but not to the Client Services Team at Brightly. They know that effective management of your asset base is critical to meeting the needs of your community and efficient management is critical to meeting the needs of your organisation. To find out how Brightly can help your organisation apply multi-budget funding to improve predictive modelling and optimise your asset management portfolio, contact the team today.

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About Brightly Software

Brightly, the global leader in intelligent asset management solutions, enables organizations to transform the performance of their assets. Brightly's sophisticated cloud-based platform leverages more than 20 years of data to deliver predictive insights that help users through the key phases of the entire asset lifecycle. More than 12,000 clients of every size worldwide depend on Brightly's complete suite of intuitive software – including CMMS, EAM, Strategic Asset Management, IoT Remote Monitoring, Sustainability and Community Engagement. Paired with award-winning training, support and consulting services, Brightly helps light the way to a bright future with smarter assets and sustainable communities. For more information, visit **brightlysoftware.com**