



DIRECTOR CORPORATE SERVICES SUPPLEMENTARY REPORT

11th October 2005

DCS11	FLEET MANAGEMENT - ANNUAL REVIEW REPORT
SUPP	FILE: 151 MPM

SUMMARY:

Reporting on the 6 monthly review of the Kempsey Fleet Management Business Plan, year ending June 30th 2005.



An operational plan introduced some years ago indicated that the Kempsey Fleet Management Unit would report to Council monthly, six monthly and annually. The monthly report was to detail fleet items purchased and disposed of for the previous month, this is currently the present practice. Six monthly reports were to detail;

1. Fleet replacement program estimates against actuals.
2. Utilisation trends.
3. Availability rates (downtime).
4. Business Plan action review.
5. Proposed hire rates for the next financial year.

The annual report was to address many of the items above including a number of others as detailed below;

1. Fleet replacement program estimates against actuals.
2. Utilisation comparisons against previous years.
3. Availability rates (downtime).
4. Written Down Value (WDV).
5. Business Plan action review.
6. Reporting on the long-term fleet replacement program (currently 8 year).

Fleet traditionally has provided Council information on the various operational aspects on fleet performance and with a change in the fleet management team is now intending to provide these performance indicators more in line with industry best practice using tried and tested Key Performance Indicators (KPI's).

1. Fleet Replacement Program – Estimates against Actuals

Comparison of the actual net Fleet purchases against the original 2004/05 Budget provisions plus Contributions shows: -

	Budget/Contributions	Actual	Diff
General Fleet	\$683,426	\$667,121	(S) \$16,305
Water Fleet	\$420,000	\$390,154	(S) \$29,846
Waste Services Fleet	\$650,000	\$500,097	(S) \$149,903

In General Fleet the replacement of the following items have been deferred to 2005/06 –

- i) Loader – Cat 916 (V1673)
- ii) Toyota Dyna Dual Cab (V1737)
- iii) Hydraulic Hammer – Excavator Attachment (V1563)
- iv) Sedan – Ford (V2106)

Council previously agreed to vary the replacement program, to include the purchase of the Backhoe (V1120). Attached as [\(Appendix F\)](#)

2. Utilisation (KPI)

Utilisation refers to the annual usage of a particular item of fleet and is generally measured in engine hours or kilometres travelled.

Past practice within Council was to measure booked out hours for **utilisation reports** and this is provided at [\(Appendix G\)](#), however in the case of an item of plant sitting idle for a number of weeks, but on hire, only means the fleet department budget remains healthy at the expense of the rest of the organisation, in other words high depreciation and low utilisation, and not very cost effective.

As stated above good performance indicators rely on the actual hours and or kilometres of particular items of plant measured against industry benchmarks and it should be noted that not all fleet will have similar benchmarks, for example the industry benchmark for an Excavator is 800hrs, Bobcat 500hrs, Medium commercial truck 15,000kms, Front end loader 700hrs and so on. These benchmark standards were sourced from Uniqco International who in partnership with the Institute of Publics Works Engineers Australia (IPWEA) have surveyed over 160 government organisations to set the industry benchmarks.

Kempsey's fleet department is currently working on a project which will in time measure our own performance against these industry benchmarks in a more automated fashion with Council's I.T operating system. At this stage reports are being run monthly with some fine tuning still required and it is expected that by 2005/06 actual utilisation against industry standard will form part of Council's performance management outcomes.

The key to driving improved performance of Council fleet is the provision of information and it is expected that along with the actual utilisation indicators and other performance tools and strategies the days of having fleet *"just in case we need it"* will disappear.

Attached as [\(Appendix H\)](#) is the latest utilisation report (actual hours used) based on industry benchmarks per item of plant, for perusal and information

3. Availability (Downtime KPI)

This is often called the hidden cost of fleet management. In many cases downtime is substantial and can greatly affect productivity. Downtime is a major factor in every decision when establishing long term fleet replacement programs and optimum changeover timeframes. Downtime costs not only comprise the cost of the machine, but also include the cost of idle skilled labour, inconvenience costs, and idle capital investment.

An example of a recent case of a grader breaking down at start time on a construction project, there were a number of staff as well as plant that were affected by the breakdown.

Carrying out comprehensive assessments of plant downtime enables informed decisions to be made on optimum replacement times for plant when developing long term plant replacement programs and clearly demonstrates that if we are to ensure service delivery is achieved on time and at the lowest cost Council will be required to adopt and follow, at minimum, a 8 year plant replacement program.

It must be said that at times when the plant reserve looks financially healthy there is an urge to raid the replacement reserve to fund other capital projects when there are shortfalls.

The fleet department from the start of the 2005/06 year has as one of its KPI's, Fleet Availability, with a current benchmark set at 96% availability. The reporting for the previous 2004/05 year was initiated from April 2005, a copy is attached as [\(Appendix I\)](#).

4. Written Down Value (WDV KPI)

Part of Fleet Management role in the financial management of the fleet is to maintain the value (Written Down Value) of the Council's investment in the fleet. Long term we should be spending as much on capital replacement as the annual depreciation. This will ensure the WDV is maintained. Expenditure should not always meet the level of depreciation where it requires or leads to premature replacement of fleet. Attached as [\(Appendix J\)](#)

5. Business Plan action review

Fleet provided in the 2004/05 Fleet Management Business Plan an action plan for Fleet Management planning, Fleet Strategies, Environmental Management planning, OH&S planning and Financial planning, both the 6 monthly report and annual report requires fleet to provide a review of outcomes. Attached as [\(Appendix K - part 1 & part 2\)](#) is the action plan for the various areas of operation with comments on outcomes

6. 8 year Fleet Replacement Program

Attached at [\(Appendix L\)](#) is Council's 8 year replacement program, highlighted are the items of fleet, which due to budgetary constraints were overlooked for replacement for the 2005/06. As reported at Council's meeting 12th April 2005, the 2005/06 general fleet replacement 8 year program was proposed at a changeover value of \$2,906,700. At that time the draft fleet replacement budget was \$1,016,253 which meant the replacement budget had a \$1,890,447 short fall, to replace the proposed 2005/06 8 year replacement program. Accordingly, a replacement program for 2005/06 that met the draft replacement budget was developed.

REPORT IMPLICATIONS:

- *Environmental*

Nil

- *Social*

Nil

- *Economic (Financial)*

Nil

- *Policy or Statutory*

There are no policy or statutory implications arising from this report.

- *Director's Review*

Nil

RECOMMENDATION:

That the Annual Review Report for Fleet Management be adopted.

.....

G B Snape
DIRECTOR CORPORATE SERVICES