



KEMPSEY
Shire Council

DIRECTOR CORPORATE SERVICES REPORT

14th March 2006

DCS11	FLEET MANAGEMENT HALF YEARLY REVIEW
FILE: 468	MPM {Folio No. *}

SUMMARY:

Reporting on the 6 monthly review of the Kempsey Fleet Management Business Plan for year ending 31st December 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 details fleet items purchased and disposed of for the previous month, this is the present practice.

The 6 monthly report (due in March) details;

1. Revenue and expenditure trends
2. Utilisation trends
3. Availability rates (downtime)
4. Business Plan action review
5. Propose hire rates for the next financial year.

The annual report due in September 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. Revenue and Expenditure

The 2005 / 06 revenue budget of \$2,768,700 stands at \$1,414,663 actual revenue for the period of 1 July 2005 to 31 December 2005, this equates to 51.09% of the overall target of 50% for this period.

The 2005 / 06 expenditure budget of \$2,426,512 stands at \$1,269,635 actual expenditure for the period of 1 July 2005 to 31 December 2005, this equates to 51.22% of the overall target of 50% for this period.

The introduction of service maintenance scheduling has resulted in fleet servicing being carried out at the correct intervals and has eliminated services being missed (subject to the correct odometer readings). In turn this has increased the Workshop expenditure as previously servicing had been missed and in many cases was carried out at the incorrect intervals.

A copy of Profit/Loss Statements for General, Waste, and Water Fleet is attached at [\(Appendix G\)](#).

Key Performance Indicators (KPI's)

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, 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, Backhoe 700hrs, 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.

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 at [\(Appendix H\)](#) is the latest utilisation report based on industry benchmarks per item of plant, for perusal and information. Please note shaded plant items are below industry benchmarks.

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.

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 period of 1st July 2005 to 31st December 2005 is attached at [\(Appendix I\)](#) with the overall performance for the half year at 98.84% (Downtime is measured 24 hours 7 days a week).

4. Business Plan Action Review

Fleet provided in the 2005 / 06 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 at [\(Appendix J\)](#) is the action plan for the various areas of operation with comments on outcomes

The Business Plan 2006 / 07 is currently being revised and will be submitted to Council's April meeting.

5. Hire Rates 2006/07

As recently as the 1 October 2005, hire rates increased across the fleet items the cover the increase in fuel costs.

It is proposed to increase the annual hire rate for sedans, however no further increases to the fleet hire rates for the 2006 / 07 period are planned.

Attached at [\(Appendix K\)](#) is the current and the proposed 2006 / 07 internal hire rates.

REPORT IMPLICATIONS:

- *Environmental*

Nil

- *Social*

Nil

- *Economic (Financial)*

Increased internal hire rates

- *Policy or Statutory*

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

- *Director's Review*

Nil

RECOMMENDATION:

That the information be noted.

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G B Snape
DIRECTOR CORPORATE SERVICES