



KEMPSEY
Shire Council

DIRECTOR CORPORATE SERVICES REPORT

18th July 2006

DCS9	FLEET BUSINESS PLAN
	FILE: 468 GBS

SUMMARY:

Reporting on the preparation of the 2006/07 Fleet Business Plan.



DESCRIPTION:

The Fleet Business Plan has been reviewed and updated to set the strategic direction for the 2006/07 year.

A copy of the revised Plan is attached at [\(Appendix G, Part 1, Part 2, Part 3\)](#).

The Plan includes the proposed Fleet Hire Rates and the Replacement Program.

Fleet Hire Rates

Hire Rates are required to cover –

- operating costs
- maintenance costs, and
- replacement costs.

Last year the Fleet Section sought to introduce a system whereby a minimum hire period of 38 hours per week (i.e. 38 hours x 44 weeks = 1,672 hrs pa) with income reviewed quarterly and shortfalls charged to the appropriate Department.

That system was not successful as the Departments were unable to absorb the hire costs when the Fleet items were not assigned to a particular job.

For 2006/07 the Fleet Hire Rates have been revised on the basis of average costs over the past three (3) years divided by the average number of "booked-out" hours.

These rates will be reviewed on a Quarterly basis and adjusted where necessary to ensure that the Fleet Business Unit is recovering sufficient funds for operation and replacement costs. This will enable Hire Rates to be varied in line with fuel costs.

Replacement Program

The 2006/07 Fleet Replacement Program based on the optimum replacement schedule indicates that a changeover value of \$7,191,200 is required.

However, when Council adopted its 2006/07 Budget the Fleet Replacement Program was set at only \$1,430,200 – a shortfall of \$5,761,000.

	2006/07 Replacement Schedule	2006/07 Budget Provision	Shortfall
General	5,247,300	771,000	4,476,300
Water	1,020,900	442,200	576,700
Waste	923,000	215,000	708,000
	\$7,191,200	\$1,430,200	\$5,761,000

Accordingly, a revised Fleet Replacement Program for 2006/07 that meets the Budget provision has been developed.

As Fleet items are passed over for replacement at the optimum changeover timeframe there is the risk of an increase in maintenance and breakdown costs, which in turn contributes to decreased income, reduced capital funding, and inevitably increased works program costs.

It has previously been reported to Council that plant downtime due to mechanical failure costs the Organisation in lost production around four (4) times the actual repair costs.

REPORT IMPLICATIONS:

- ***Environmental***

Nil

- ***Social***

Nil

- ***Economic (Financial)***

The economic implications are addressed in the body of the Report and in the Business Plan.

The Business Plan adheres to the 2006/07 Draft Budget provisions.

- *Policy or Statutory*

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

- *Director's Review*

The recommendation is supported.

RECOMMENDATION:

1. That the 2006/07 Fleet Business Plan be adopted.
2. That the proposed Hire Rates be adopted, and reviewed on a Quarterly basis.
3. That the 2006/07 Fleet Replacement Program as shown in the Business Plan be adopted.

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G B Snape
DIRECTOR CORPORATE SERVICES