



KEMPSEY
Shire Council

DIRECTOR CORPORATE AND COMMUNITY SERVICES REPORT

11th September 2007

DCCS5	FLEET MANAGEMENT ANNUAL REVIEW REPORT
FILE: 212	CAD {Folio No. *}

SUMMARY:

Reporting on the 6 monthly review of Fleet Management for the period to 30th June 2007

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DESCRIPTION:

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. Operating Revenue/Expenditure compared to Budget.
2. Fleet replacement program estimates against actuals.
3. Utilisation trends.
4. Availability rates (downtime).
5. Business Plan action review.
6. Propose hire rates for the next financial year.
7. Plant and vehicle management action plan review.

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

1. Operating Revenue / Expenditure compared to Budget.
2. Fleet replacement program estimates against actuals.
3. Utilisation comparisons against previous years.
4. Availability rates (downtime).
5. Written Down Value (WDV).
6. Business Plan action review.
7. Reporting on the long term fleet replacement program (currently 8 year).
8. Plant and Vehicle Management action plan review.
9. Suction Sweeper – Karcher.

Fleet traditionally has provided Council information on the various operational aspects on fleet performance and with a change in the fleet

J - 2

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. Operating Revenue / Expenditure Items

2006/07 Revenue Budget	Actual Revenue 30 th June 2007	Actual %
<i>General Fleet</i>		
\$2,900,000	\$3,125,268	107.7%
<i>Water Services Fleet</i>		
\$900,000	\$736,255	81.8%
<i>Waste Services Fleet</i>		
\$730,000	\$576,060	78.9%

2006/07 Expenditure Budget	Actual Expenditure 30 th June 2007	Actual %
<i>General Fleet</i>		
\$2,507,993	\$2,340,057	93.3%
<i>Water Services Fleet</i>		
\$580,097	\$643,656	110.9%
<i>Waste Services Fleet</i>		
\$672,932	\$468,414	69.6%

2. Fleet Replacement Program – Estimates against Actuals

Comparison of the actual net Fleet purchases against the original 2006 / 2007 budget provisions plus Contributions shows:-

	Original Budget	Actual Changeover 2006/2007	Actual Changeover 2007/2008	Diff	Comments
General Fleet	\$771,000	\$234,914	\$77,643	(S) \$458,443	Prior to finalisation of any revotes
Water Services Fleet	\$444,200	\$258,931	\$50,482	(S) \$134,787	Prior to finalisation of any revotes
Waste Services Fleet	\$242,068	(\$33,130)	Nil	(S) \$275,198	Deferred until Waste Management review is complete

Attached ([Appendix D – Page J5](#), [E – Page J7](#) & [F – Page J8](#))

Key Performance Indicators (KPI's)

3. 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 – Page J9](#)), 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 Public 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 [\(Appendix H – Page J10\)](#) 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.

4. 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.

The fleet department from the start of the 2006 / 07 year has as one of its KPI's, Fleet Availability, with a current benchmark set at 97% availability. The reporting for the period of 1 February 2007 to 30 June 2007 is attached at [\(Appendix I – Page J12\)](#) with the overall performance for the year at 98.55% (Downtime is measured 24 hours 7 days a week).

5. 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 at ([Appendix J – Page J13](#)) are estimated WDV for 2006 / 07, actuals are yet to be finalised for 2006 / 07.

6. Business Plan Action Review

Fleet provided in the 2006 / 07 Fleet Management Business Plan an action plan for Fleet Management planning, Fleet Strategies, 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 K – Page J14](#)) is the action plan for the various areas of operation with comments on outcomes. Some strategies have been amalgamated and new strategies implemented. Other strategies have been removed in order to provide the relevant data to monitor Fleet operation.

7. 8 year Fleet Replacement Program

Council's 8 year replacement program (based on optimum replacement schedules) indicates a significant shortfall in funding when compared to the adopted Long Term Budget.

However at the Council meeting held 14 August 2007 it was resolved that Council make application to the Department of Local Government for a loan allocation in the 2007 / 08 financial year of \$1,500,000 and a further loan allocation in the 2008 / 09 financial year of \$1,000,000 for the purpose of funding the backlog in replacement of General Fleet items.

On the basis, the 8 year Fleet Replacement Program can be fully funded.

The revised Budget for fleet replacement in 2007 / 08 is now: -

General Fleet	\$2,881,580	
Water Fleet	\$ 400,000	
Waste Fleet	\$ -	(defer pending review of service)
	<u>\$3,281,580</u>	

8. Plant and Vehicle Management Action Plan

Attached at ([Appendix K2 Part 1, Part 2 – Page J82](#)) is a progress report on implementation of the recommendations contained in the Uniqco report on the Review of Plant and Vehicle Management.

9. Suction Sweeper – Karcher

In the previous report to Council it was indicated that "it was time to cut our losses and dispose of the Karcher Suction Sweeper while it is still in working condition".

Implementation of this decision has been deferred as the Director Shire Services is preparing a report for the General Manager, due in September 2007, on the overall operational activities of the Kempsey Civic Maintenance Team, including their future requirements for street sweeping.

During the January to June 2007 half year the Karcher was operated for 109.5 hours and recorded –

Operational Expenses (inc. M&R)	-	\$ 7,158
Depreciation	-	<u>5,420</u>

	\$12,578
<u>Less: Plant Hire Income</u>	<u>3,285</u>
Net Loss	<u>\$ 9,293</u>

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 information be noted.

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G B Snape
DIRECTOR CORPORATE & COMMUNITY SERVICES