



KEMPSEY
Shire Council

DIRECTOR CORPORATE AND COMMUNITY SERVICES REPORT

13th March 2007

DCCS11	FLEET MANAGEMENT HALF YEARLY REVIEW
FILE: 212	CAD {Folio No. *}

SUMMARY:

Reporting on the review of the implementation of the Fleet Management Business Plan for the half-year ending 31 December 2006.

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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 is to detail fleet items purchased and disposed of for the previous month.

The six monthly report due in March is to detail;

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 is to address many of the items above, plus 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

2006/07 Revenue Budget	Actual Revenue 1 July to 31 December 2006	Actual % (Target for this period 50%)
<i>General Fleet</i>		
\$2,900,000	\$1,613,630	55.64%
<i>Water Services Fleet</i>		
\$900,000	\$458,531	50.94%
<i>Waste Services Fleet</i>		
\$730,000	\$299,846	41.07%

2006/07 Expenditure Budget	Actual Expenditure 1 July to 31 December 2006	Actual % (Target for this period 50%)
<i>General Fleet</i>		
\$2,507,993	\$1,228,785	48.99%
<i>Water Services Fleet</i>		
\$580,097	\$252,008	43.44%
<i>Waste Services Fleet</i>		
\$672,932	\$295,471	43.90%

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 [\(Appendix H – Page J13\)](#) 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.

As a result of these utilisation figures, Fleet will investigate the disposal of two assets being V1802 Bobcat 763 and VW1142 Tractor – Massey Ferguson FE35.

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 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 July 2006 to 31 December 2006 is attached at [\(Appendix I – Page J16\)](#) with the overall performance for the half year at 98.83% (Downtime is measured 24 hours 7 days a week).

4. 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 [\(Appendix J – Page J17\)](#) is the action plan for the various areas of operation with comments on outcomes.

5. Hire Rates 2007/08

The General Fleet operating revenue of \$3,058,600 for 2007/2008 represents a 5.4% increase from 2006/2007. Attached at [\(Appendix K – Page J22\)](#) are the proposed fleet hire rates for 2007/2008, which represent an increase of 5.4%.

It should be noted that this increase may not be currently budgeted in operational costings.

6. Suction Sweeper – Karcher

In response to Councillor J A C Hayes questions without notice dated 16 January 2007, *“Can Council be kept informed on status of street cleaner?”* the following report is provided.

Records indicate the Karcher ICC1 Suction Sweeper, was purchased in March 2003 at a capital cost of \$66,045.00 + GST.

During the period March 2003 to February 2007, the Karcher Suction Sweeper has been available for use 53.53% of the time.

During the period March 2003 to February 2007, Fleet has borne the loss of \$56,185.82 based on operating costs of \$86,098.48 less the income of \$29,912.66. It should also be noted that these figures do not factor in depreciation, which enables future replacement.

Investigations have been carried out, as to the replacement capital cost of a reliable suction sweeper with figures ranging from approximately \$103,600.00 to \$130,650.00 + GST.

Port Macquarie Hastings Council have purchased a Green Machine Suction Sweeper from Applied Sweepers Australia which replaced their Karcher Suction. This machine would cost Council approximately \$130,650.00 + GST.

As concluded from the above information, Civic Maintenance is unable to fund a replacement suction sweeper due to insufficient funding. Current budget levels would not fund the operation and depreciation costs of a new reliable suction sweeper. As a result we have continued to maintain and repair an unreliable machine.

The most recent clutch problem with the Karcher Suction Sweeper has been rectified as of week ending 2 March 2007 and the machine is currently back in operation.

In conclusion both Fleet and the Acting Works Manager, agree it is time to cut our losses and dispose of the Karcher Suction Sweeper while it is still in working condition.

Finally, Fleet have been instructed to investigate the cost of hiring a reliable suction sweeper.

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***

Uniquo has recently been engaged to undertake an in depth audit and review of Councils plant and vehicle management. The review includes a presentation to Council. This presentation has been scheduled for Council's May meeting.

RECOMMENDATION:

That the information be noted

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G B Snape

DIRECTOR CORPORATE AND COMMUNITY SERVICES