Service Review - Fleet Management and Maintenance - Report

Originating Officer Manager - Strategic Procurement Services - Jamie Dunnicliff

Manager - Operations - Fiona Harvey

Corporate Manager N/A

General Manager General Manager City Services - Tony Lines

General Manager Corporate Services - Sorana Dinmore

Report Reference FAC210223F01

Confidential

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Confidential Motion

That pursuant to Section 90(2) and (3)(a) and (d) of the *Local Government Act 1999,* the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull - Chief Executive Officer, Tony Lines - General Manager City Services, Sorana Dinmore - General Manager Corporate Services, Ilia Houridis - General Manager City Development, Ray Barnwell - Manager Finance, Jamie Dunnicliff - Manager Strategic Procurement Services, Fiona Harvey - Manager Operations, Karen Cocks - Manager Customer Experience, Kate McKenzie - Manager Corporate Governance, Vicky Travers - Performance and Innovation Lead, Karen Brewster - Business Analyst, Mel Nottle-Justice - Business Improvement Officer be excluded from the meeting as the Committee receives and considers information relating to the *Service Review – Fleet Management and Maintenance - Report*, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information, relates to personnel matters and commercial information of a confidential nature.

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) an overview of the Fleet Management and Maintenance Cross Council Service Review (CCSR).

EXECUTIVE SUMMARY

At the 9 June 2020 General Council meeting, Council adopted the Service Review Program for FY2020/21 (GC200609). This program focuses on carrying out ten cross council service reviews to allow the City of Marion (CoM) to focus on the delivery of the Digital Transformation Project. The CCSR of Fleet Management and Maintenance forms part of this program of work.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Notes the Fleet Management and Maintenance Cross Council Service Review as provided in Attachment 1.**

2. **In accordance with Section 91(7) and (9) of the *Local Government Act 1999*, orders that this report, the attachments and any minutes arising from this report having been considered in confidence under Section 90 (2) and (3)(a) and (d)(i) and (ii) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in February 2022.**

DISCUSSION

The CCSR (undertaken between the Cities of Marion, Charles Sturt and Port Adelaide Enfield) of fleet management and maintenance has been finalised with the final report included as Attachment 1. The report details recommendations, potential savings, costs and proposed changes to maintain and enhance service delivery.

The following key findings have emerged from the CCSR:

- The three Councils have more than 770 items of fleet managed by the fleet managers.
- Around $6-8M is spent to purchase or replace around 100 to 120 light and heavy fleet items each year.
- Council fleet is highly sought after in the second hand market usually due to comparably low levels of use, and good condition.
- The councils have differing approaches to developing forecasts, there can be a disconnect between the forecasts held by the fleet managers and those captured in the Long Term Financial Plans of the councils.
- The councils spend around $5M per annum on the operation and maintenance of the fleet with more than 16FTE employed in the workshops across the three councils.
- While data is collected, reporting to make it easy to manage the workshops, understand utilisation and availability, and the costs of specific items of equipment, is not readily available or used.
- Each of the councils has had at least part of a role dedicated to fleet management in the past, with people supporting the function in an informal or acting capacity.
- Fleet procurement and management practices have varied across the councils with one council seeking three quotes for each fleet item, while others have tendered bundles of like fleet.
- Disposals at two councils have been managed through auction houses, while another of the councils disposes of their vehicles through trade-ins on replacement vehicles.
- Fleet replacement is triggered by age at two of the councils, while one manages replacement based on a combination of utilisation and age.

The following key recommendations encapsulate the key actions to be implemented as a result of the CCSR:

- Appointment of a joint fleet manager at no additional cost to the councils to facilitate implementation of the recommendations of this review and further and ongoing improvements in fleet cost management.

- Align and apply conservative extensions to fleet Estimated Useful Lives resulting in an estimated net reduction in capital investment of $8.9M over the plan period ($7.2M NPV) and a $5.1M reduction in depreciation ($0.6M per annum).
- Undertake specific equipment sharing, fleet configuration and fleet specification opportunities in relation to elevating work platforms, mower towing and sweepers generating an estimated $2.8M in improved cashflow over the plan period ($2.0M NPV).
- Undertake joint fleet procurement reducing fleet acquisition costs by $3.5M over the plan ($2.4M NPV).
- Improve capital forecasting accuracy and avoid costs of an estimated $14.2M over the forecast period (NPV $9.8M offset by 10% contingency of $3.3M (NPV $2.4M)).

This is an independent review and the projected savings may not all be achievable, however, the recommendations provide a clear guide for the appointed joint Fleet Manager to further test the operational implications of each recommendation (for each Council) and confirm the associated savings and timeframes.

Attachment

#	Attachment	Type
1	CONFIDENTIAL - FAC210223 - Service Review - Fleet Management and Maintenance - Report	PDF File

CROSS COUNCIL SERVICE REVIEW

Fleet Management and Maintenance

Version 2.0 - February 2020

Contents

ACKNOWLEDGEMENT

The Cities of Marion, Charles Sturt and Port Adelaide Enfield have worked together to establish a collaborative partnership to identify and implement process improvements and initiatives to improve service, cost and quality to the mutual benefit of their communities.

The insight and operations of all three councils have been reviewed in detail with different practices across the councils providing informed insight into what could be done to improve performance at all three. The following people have contributed to the review:

City of Charles Sturt	**City of Marion**	**City of Port Adelaide Enfield**
Jan Cornish	Colin Heath	Tober Solito
Donna Dunbar	Jamie Dunnicliff	Darren Miller
Kerrie Jackson	Mat Allen	Gary Baker
Darrin Smith	Tony Lines	Mark Buckerfield
Shane Broadbent	Sorana Dinmore	Simon Trill
Peter Kinnersly		
Adrian Ralph		

1. EXECUTIVE SUMMARY

This service review covers Fleet Management and Fleet Maintenance at the Cities of Marion (Marion), Charles Sturt (CCS) and Port Adelaide Enfield (PAE).

SERVICE OVERVIEW

Fleet is required to support most council activities, from health officers and community inspectors to heavy civil construction works, with each of the councils also providing a range of commercial and light vehicles as part of their salary packaging arrangements.

Between them, the three councils have more than 770 vehicles with an estimated purchase cost of $50M.

The collective forecasts of the councils anticipated the fleet being replaced 1.6 times every ten years with total replacement spend of around $80M expected over the same horizon. Due to the relative low use and good condition of council vehicles, around $24M (28%) in disposal proceeds was also forecast, with a net spend over 10 years expected at around $56M.

The impact of fleet on operating surplus is around $10.2M each year. Depreciation is $4.7M while fleet operating and maintenance costs are around $5.5M with fuel costs $1.8M, registration and insurance $1.1M and repairs and maintenance making up the remainder. 16-17FTE are employed to undertake fleet repairs and maintenance in the councils' three workshops, while there are around 5FTE supporting management and administration of the workshops, fuel cards and fleet.

BENCHMARKING AND ANALYSIS

Analysis was extensive and included:

- benchmarking fleet spend, EULs (Estimated Useful Lives) and composition
- testing the impact of extended EULs on maintenance costs and disposal proceeds
- benchmarking fleet maintenance costs between councils and between fleet items
- a number of detailed reviews and case studies on the need for specific equipment, differences in fleet configuration for like functions and differences in specification for like equipment
- validation of forecast assumptions against historic trends

Marion's Finance and Contracts Team undertook a review of fleet management in 2017/18 which resulted in significant funding freed up in their LTFPs. As The work set the starting point for this review, and as a result benefits to Marion from this review will not be as extensive as for CCS and PAE.

RECOMMENDATIONS AND IMPACTS

The key recommendations and impacts from the review include:

- Appointment of a joint fleet manager at no additional cost to the councils to facilitate implementation of the recommendations of this review and further and ongoing improvements in fleet cost management
- Align and apply conservative extensions to fleet EULs resulting in a net reduction in capital investment of $8.9M over the plan period ($7.2M NPV) and a $5.1M reduction in depreciation ($0.6M per annum).
- Undertake specific equipment sharing, fleet configuration and fleet specification opportunities in relation to EWPs, mower towing and sweepers generating $2.8M in improved cashflow over the plan period ($2.0M NPV)
- Undertake joint fleet procurement reducing fleet acquisition costs by $3.5M over the plan ($2.4M NPV)
- Insource more fleet maintenance at CCS, put PAE on a national fuel contract and review registration and insurance classifications reducing operating costs by $330K per annum ($1.9M NPV)
- Align accounting practices and incorporate residual values in depreciation calculations at CCS, freeing up $0.6M per annum ($5.1M over plan) in the operating surplus which will flow through to rate revenue calculations
- Improve capital forecasting accuracy and avoid costs of $14.2M over the forecast period (NPV $9.8M offset by 10% contingency of $3.3M (NPV $2.4M))

Overall, the findings will improve cashflows by $17.0M over the plan ($12.8M NPV), will reduce depreciation and increase operating surpluses by more than $1.0M per annum ($10.2M over the plan period) and will avoid costs of $10.9M through improved LTFP forecasting and budgeting accuracy.

There are also a range of opportunities not yet valued that will provide future projects for the Collaborative Fleet Manager to pursue, and which will also address environmental implications of the fleet.

2. BACKGROUND

This service review covers Fleet Management and Maintenance at the Cities of Marion, Charles Sturt and Port Adelaide Enfield.

SERVICE OVERVIEW

Fleet Management and Maintenance involves:

- The specification of new and replacement fleet to support the operations of the councils
- Management of the fleet lifecycle from budget approval to the process of disposal
- Analysis of the fleet and improvement of fleet portfolio outcomes
- Insurance, registration and fuel management
- Maintenance and repair of the plant and equipment
- Fleet asset and data management

FLEET SIZE, COST AND TURNOVER

The Councils have more than 770 items of fleet managed by the fleet managers. There are around 280 light fleet items (sedans, wagons, vans and utilities), 355 heavy fleet items (including trucks, sweepers, excavators, mowers and loaders) with the remainder relating to trailers and equipment. This fleet cost around $50M to purchase.

Around $6-8M is spent to purchase or replace around 100 to 120 light and heavy fleet items each year - with $6.5M budgeted to be spent in 19/20 on 124 items. More than 1,200 items of fleet were planned to be replaced over the collective LTFPs of the councils at a forecast gross cost of $73M.

Council fleet is highly sought after in the second hand market usually due to comparably low levels of use, and good condition, relative to commercial fleet and disposal proceeds are usually a significant percentage of the original purchase price of the assets with $4.0M of fleet (valued at cost) disposed of in 18/19 with reported proceeds of $1.8M – or recovery of 45% of the original cost of the vehicles. Proceeds of around $25M (30%) were also forecast over the term of the LTFP across the three councils.

The councils have differing approaches to developing these forecasts with replacement costs forecast or budgeted based on the original cost of the item, escalated by CPI for each year of its life and there can be a disconnect between the forecasts held by the fleet managers and those captured in the LTFPs of the councils.

FLEET MAINTENANCE AND OPERATING COSTS

In addition, the councils spend around $5M per annum on the operation and maintenance of the fleet with more than 16FTE employed in the workshops at each of the councils. More than 11,000 maintenance tasks appear to be completed annually with differing mixes of programmed and preventative maintenance used.

$1.8M of operating costs relate to fuel with contracting arrangements different across the councils. Approach to registration classification also vary between the councils while PAE incur 45% higher insurance premiums.

While data is collected, reporting to make it easy to manage the workshops, understand utilisation and availability, and the costs of specific items of equipment, is not readily available or used.

Depreciation on fleet is worth around $5.0M per annum with differing depreciation methods applied by the councils. Two of the councils use straight line depreciation, while PAE uses reducing balance depreciation. PAE and Marion take into account residual values in the determination of their depreciation, while CCS doesn't, resulting in depreciation around 25% higher than it might otherwise be. Straight line depreciation taking into account likely residual value is the common method applied to fleet depreciation.

FLEET MANAGEMENT AND PROCUREMENT PRACTICES

Each of the councils has had at least part of a role dedicated to fleet management in the past with these roles currently vacant at all three councils, with people supporting the function in an informal or acting capacity. These roles have worked with operational teams to specify and select and procure replacement or new equipment and dispose of the equipment being replaced. They have also managed fleet investment budgets and forecasts as well as having involvement in registration, insurance and fuel card management.

Fleet procurement and management practices have varied across the councils with one council seeking three quotes for each fleet item, while others have tendered bundles of like fleet. Disposals at two councils have been managed

through auction houses, while another of the councils disposals of their vehicles through trade-ins on replacement vehicles. Fleet replacement is triggered by age at two of the councils, while one manages replacement based on a combination of utilisation and age and as a result sells vehicles further into their lifecycle while the EULs for like fleet differ between the councils.

It is expected that each of these differences in practice would yield different levels of value and service over the term of the fleet lifecycle and that taking the best of everyone's practices will drive improved fleet management outcomes.

3. SERVICE REVIEW OBJECTIVES

The service review has the following objectives with regard to the in-scope services:

- Improve service levels, productivity, quality, risk management and customer experience
- Balance programmed and reactive maintenance tasks
- Use contracted services effectively
- Create value for the community
- Improve environmental outcomes
- Identify opportunities for effective collaboration

The services are summarised in the table below.

TABLE 1: Description of services included in the review

Service	Description
Fleet Management	• Fleet specification • Fleet procurement • Fleet utilisation • Fleet analysis • Fleet disposal • Fleet forecasting and budget management
Fleet Maintenance and Operating	• Servicing – inhouse and external • Repairs – inhouse and external • Registration • Insurance • Fuel management

4. ANALYSIS UNDERTAKEN

A broad range of analysis was undertaken to identify opportunities for improving the effectiveness and efficiency of the functions, and the overall outcomes achieved for the community. A detailed review of each council's activities was undertaken in addition to a comparison of key indicators between each council with the aim of understanding differences in work practices and opportunities to improve.

The analysis undertaken and high-level findings are contained below with more detail on the analysis undertaken contained in attachment A.

A. FLEET MANAGEMENT

RESOURCING

The historic investment in fleet management resources has varied between the councils with PAE having a dedicated fleet manager, while fleet management has made up 20% and 40% of a person's role at CCS and Marion respectively in part driven by the level of engagement with the operations and different procurement approaches (3 quotes per vehicle compared to bulk procurement).

Opportunity exists to consolidate fleet management and procurement activity across the councils and have a collaborative fleet management function. While savings in salary will ensue from this recommendation the majority

of the value of combining fleet management will come from the ongoing review, comparison and analysis of the fleet across the councils to realise opportunities similar to those identified in this review and which follow below.

ESTIMATED USEFUL LIVES (EUL)

A comparison of the estimated useful lives for different types of fleet across the councils was undertaken showing differences of up to 30% in EULs applied. The relative maintenance costs and disposal proceeds were tested to determine whether or not extending EULs would expose the councils to maintenance cost or disposal proceed risks. Where longer EULs were adopted, maintenance costs and disposal proceeds did not appear to be materially impacted (other than for loaders and excavators) leading to the recommendation to extend EULs to at least the maximum life currently used by councils.

DISPOSAL PROCEEDS

Generally, disposal proceeds are very high on council fleet at around 35-40% of original cost on average across the fleet. This is due their low use due to travel being mostly limited to a council area. Disposal proceeds are a very material consideration in the purchase and disposal of fleet (based on current practices) as a result.

Disposal proceeds were reviewed for the higher value / volume vehicle types to determine the impact of age and use on disposal proceeds. Analysis showed greater, but not significant, correlation with age across most council vehicles supporting extension of EULs.

This analysis also highlighted forecast proceeds applied to budgets and LTFPs were understated, and so net spend was overstated, in comparison to history. Opportunities to cease pre-disposal vehicle upgrades at CCS, and to seek trade-in as well as auction pricing for heavy fleet, were also identified.

HISTORIC PRICE INCREASES

Historic pricing was reviewed on like vehicles. This, along with industry and media commentary, showed only minor historic price increases (significantly less than CPI) with utes being the only category of vehicle to experience any price increase at 1% per annum in part driven by specification[1]. This analysis showed the price escalation assumptions applied in LTFP forecasts and budgets could be reduced at CCS and PAE respectively.

BENCHMARKING

There are very few valid external benchmarks applicable for council fleet. IPWEA and other standards are applicable for commercial fleet however council fleet use is generally significantly lower than commercial fleet with vehicles constrained to in council area use, rather than inter and intra state use typical of commercial fleet. IPWEA LG recommendations result in underutilization of fleet.

Benchmark indicators were reviewed across the three councils. The differences between the councils were significant with Marion setting the benchmark in a number of areas having undertaken a fleet review in 2018 while PAE typically worked their fleet harder and longer providing good insight into the likely impacts of extending EULs.

COMPOSITION OF FLEET

Composition of the fleet was reviewed to determine differences in use and application. This review identified specialist equipment that may be able to be shared such as the CCS Jetvac and hydrovac.

Differences in the proportion of trucks and utes in the fleets highlighted different mowing fleet configuration in use at PAE compared to CCS and Marion and a review of lifecycle costs of the different configurations showed opportunity for the councils to adopt the lower cost (but equally effective) PAE mowing set up. It is expected more of these opportunities will be identified and facilitated through the ongoing collaborative fleet management function.

[1] 2020 was the first year that multiple increases in list prices for utes were observed for more than 7 years.

FLEET SPECIFICATION

Costs for like equipment were reviewed across the councils with more than 20% variation in price. A case study on street sweepers showed specification to be the driver of the 20% ($60K per unit) higher costs at CCS, with PAEs operators having previously removed un-used features from their specification. The CCS operations team are reviewing how to modify their requirements on at least two of their four sweepers as a result.

HIGH AND LOW USE EQUIPMENT

Equipment utilization amongst like equipment was compared where possible across the councils. Opportunities were identified for swapping equipment between operators to even out use and minimize disposal proceeds risk. Review of low use vehicles at Marion highlighted differences in the way they manage pool vehicles compared to the other two councils, which provides another opportunity for Marion to rationalize their fleet.

JOINT PROCUREMENT

The councils each had different approaches to fleet procurement with differing levels of involvement of the operations in specification and selection of vehicles, and some councils getting three quotes for each vehicle while others bundled vehicles together each year. In all instances the councils went to market for make and model, rather than specification, which limits the competitiveness of market processes.

A trial was conducted to test the value of joint procurement. The three councils went to market jointly for 21 utilities without pre-defining make or model, just specification. The process resulted in 20% improvement on prior prices for like vehicles (after taking into account exchange rate, relative disposal proceeds and specification differences) and resulted in CCS operators getting vehicles they preferred over what they would have otherwise attained. While this trial was drawn out in terms of process, the issues that led to delays will be able to be overcome in future processes.

Subsequent attempts at joint procurement have demonstrated the need for the process to be facilitated in order to coordinate delivery and compilation of specifications, to keep the process moving and to facilitate overcoming hurdles.

ENVIRONMENTAL CONSIDERATIONS

Each of the councils have adopted policies to improve environmental outcomes from their operations including fleet.

The ability to apply electric vehicles to heavy fleet applications is currently limited with power, range and infrastructure availability ongoing issues, in addition to cost. PAE have committed funds to procuring an electric vehicle in a number of fleet categories in their 20/21 budget which will provide all three councils with the opportunity to review the application and use of electric vehicles across the fleet. It is recommended the adoption of electric vehicles is reviewed across the three councils following these trials.

PAE have also adopted use of small hybrids for their field supervisors which has contributed to fleet emissions reductions. Reviewing the application of this policy across all outcomes is included in the recommendations (noting people / change impacts).

Reducing fleet size and adopting lower fuel consumption vehicles for different applications will support improving environmental outcomes in the near term.

EQUIPMENT HIRE COSTS

Equipment hire costs have been reviewed across a number of activities and have highlighted the use of wet hire or contracting arrangements in instances where equipment sharing or dry hire would be possible at reduced cost, and dry hire of equipment at high rates where purchase of equipment would be more viable.

ASSET MANAGEMENT PLANS

Two of the three councils have fleet asset management plans with all councils having fleet spend reflected in their LTFPs. The LTFP forecast spend did not align to fleet manager forecasts at two councils, with material undetected

errors in budgets and LTFP forecasts at one. Additional reviews over budget and LTFP movements would support more accurate LTFP cashflows in future.

ACCOUNTING FOR FLEET

Accounting and fleet EULS and residual values were compared showing the accounting assumptions are not fully aligned with fleet manager assumptions and outcomes with material impacts on operating surpluses.

In addition, PAE apply reducing balance depreciation to their fleet which is unique and it is recommended this is reviewed.

Ongoing depreciation savings will also be realised with the extension of EULs when accounting treatments are aligned to fleet management practices.

B. FLEET MAINTENANCE

TRANSACTIONAL ANALYSIS

All fleet maintenance transactions across the three councils were reviewed and compared in detail for the 18/19 financial year to understand the composition of costs and to ensure comparability between the councils. Significant work was undertaken understanding the actual FTE and employee costs applied to fleet maintenance.

Data capture is quite comprehensive at each of the councils however the data is not used often to manage performance and as a result the data is not entirely useful in terms of being able to understand plant availability, servicing levels and completed tasks in the workshops. It is recommended that data capture is aligned at the councils and reporting is put in place to get better visibility of activity and issues in relation to the fleet.

BENCHMARKING

Costs for fleet maintenance were reviewed across all three councils (taking into account fleet mix). PAE and Marion's costs were the lowest while CCS had higher costs across the majority of categories due to greater use of contractors while also having the higher FTE ratios per vehicle.

Variations existed in insurance, registration, tyre and fuel costs across the council with opportunities for joint procurement and for PAE to reduce their fuel costs significantly through accessing Procurement Australia contracts. Marion and PAE have opportunity to benefit by applying CCSs detailed understanding of registration conditions to their fleets.

Reporting available to the fleet managers does not support easy analysis of the fleet and there is opportunity to align the manner in which costs are collected and reported at all three councils.

HIGH MAINTENANCE COST EQUIPMENT

High maintenance cost vehicles were reviewed to identify opportunity to reduce the costs of maintenance. A case study into maintenance on the compact sweepers at CCS identified the equipment, while functional, was not built for the current application and was not used to capacity. There is opportunity to reduce the number of the sweepers in use and retrofit purpose-built suction nozzles and wheels to reduce maintenance costs and downtime. It is expected more of these opportunities exist which the fleet manager will be able to pursue.

HISTORIC COSTS

Vehicle maintenance costs over time were reviewed with increased contracting costs linked to greater use of external contractors to undertake maintenance that could be managed inhouse. This was due to unfilled vacancies at PAE, however the trend at CCS did not appear to be due to vacancy management. Recovery of cost performance through bringing work back inhouse is an opportunity for ongoing savings at CCS, and to recover prior performance at PAE.

5. CROSS COUNCIL OBSERVATIONS

The high-level indicators relating to fleet are included in the table below. At a high level the primary observations across the fleet indicators are:

- Marion's heavy and light fleet is around half that of CCS and 40% less than PAE which is driven largely by the size of the field operations teams between the councils

These observations and the outcomes of detailed benchmarking have been further investigated and understood with differences presenting opportunities for each of the councils.

TABLE 2: Fleet Management High Level Indicators

Service Parameters 19/20	Marion	Charles Sturt	Port Adelaide Enfield	TOTAL	Comment
FLEET					
Fleet Numbers	**188**	**320**	**263**	**771**	
Light Fleet	67	109	100	276	More and more large scale heavy fleet per field person at PAE
Heavy Fleet	76	127	152	429	
Other	45	84	11	66	Disparity in data capture for equipment listings by fleet managers
Fleet Costs $M	**9.7**	**18.8**	**18.6**	**47.1**	
Light Fleet	1.8	3.9	2.9	8.6	
Heavy Fleet	7.3	13.9	15.7	37.9	More large scale loaders, excavators and tractors per crew at PAE than others
Other	0.6	0.9	-	0.6	Trailers and P&E
Average Purchase Cost $000s					
Light Fleet	27	36	29	31	Salaried vehicles higher cost (and higher subsidy) – and higher ute costs at CCS due to model and spec
Heavy Fleet	81	81	102	88	Driven by civil operations activity
Average EUL					
Light Fleet	5.0	4.1	4.5	4.5	EULs reflect Marion's recent review and opportunity for others
Heavy Fleet	9.1	8.7	8.9	9.3	
Average Age at Disposal					
Light Fleet	3.2	4.1	4.8	3.9	PAE tend to work their fleet longer and harder before disposal.
Heavy Fleet	7.9	7.6	8.8	8.1	
ACCOUNTING					
Purchase cost to budget ratio	**100%**	**118%**	**124%**	**116%**	
Purchase Cost Gross	0.9	2.6	2.1	5.6	

Service Parameters 19/20	Marion	Charles Sturt	Port Adelaide Enfield	TOTAL	Comment
Budget Gross	0.9	3.1	2.6	6.5	PAE and CCS escalate budget costs from prior purchase date
Depreciation					
Total	603	2,827	1,317	4,747	PAE use reducing balance and CCS don't apply residual to depreciation calculations at ~30%
Average per vehicle	3.2	8.8	5.0	6.2	
% purchase cost	6.5%	15.1%	7.0%	10.1%	
FLEET MAINTENANCE					
High Level Costs per Vehicle					
TOTAL Operating and Maintenance	5,743	7,076	6,257	6,453	
Average Maintenance Cost	2,568	3,928	2,684	3,131	Staffing levels high with high use of external services at CCS – higher preventative maintenance
Average Fuel Cost	2,305	2,263	2,362	2,311	PAE purchasing rates
Average Registration	603	675	616	635	CCS registration lower at vehicle level
Average Insurance	458	476	595	519	Premiums 45% higher comparably at PAE
Fleet Maintenance Costs $M	**1,080**	**2,264**	**2,083**	**5,427**	
Employee Costs	268	547	403	1,218	Fleet and unallocated fleet portion
Contractor Costs	63	288	140	491	Fleet WOs only
Materials	116	287	210	713	Fleet WOs only – unallocated spares at CCS
Registration	156	249	229	634	
Insurance	86	152	198	437	45% higher premiums PAE
Fuel	433	724	786	1,943	Purchasing arrangements at PAE
Fuel tax credits	-55	-87		-142	
Reimbursements	-42	-33	-24	-100	Insurance claims
Other	55	106	40	201	
% contractor use	**14%**	**26%**	**19%**	**20%**	**CCS higher use of outsource**
FLEET MAINTENANCE ACTIVITY					
TOTAL Jobs	**2,218**	**4,255**	**4,419**	**10,622**	

Service Parameters 19/20	Marion	Charles Sturt	Port Adelaide Enfield	TOTAL	Comment
Weekly Servicing		832	655	1,487	
Programmed Servicing	291	1,205	764	2,260	High vol and proportion of outsourced servicing
Routine Maintenance	252	282	258	792	
Repairs	1,675	1,709	2,264	5,648	Fleet size and rate PAE, low prevention Marion
Plant Modifications		219	86	305	$56K of modifications on fleet for sale at CCS
Other		8	122	130	
Reactive / Proactive Mix					
% Jobs Reactive	76%	40%	55%	53%	
% Cost Reactive	76%	37%	40%	46%	
Jobs per fleet item	14.5	17.8	16.5	16.5	Higher levels of proactive equipment servicing at CCS not fully offset by lower reactive jobs – increasing activity and cost
Proactive Jobs per item	1.9	8.5	5.6	5.8	
Repair Jobs per item	10.9	7.2	9.0	8.8	
Fleet FTE	**4.9**	**8.9**	**7.7**	**21.5**	
Fleet Maintenance	2.9	6.0	4.2	13.1	Higher CCS and higher ctrcts
Unallocated Fleet maintenance	0.9	1.0	1.3	3.2	Not at work time and unallocated labour
Fleet Management	0.3	0.2	1.1	1.6	Dedicated fleet manager PAE only
Fleet Management Admin	0.8	1.7	1.1	3.6	
Unallocated %	31%	17%	31%	24%	Unallocated labour at PAE and Marion
Maintenance FTE per 100 vehicles[2]	2.5	2.9	2.2	2.5	Higher FTE and contractor spend

[2] Trailers and plant and equipment excluded as recording different across the councils and maintenance required is low

6. KEY FINDINGS AND RECOMMENDATIONS

The following key recommendations, along with the risk mitigation actions set out in Section 0, encapsulate the key actions to be implemented as a result of this review.

Overall, the findings will improve cashflows by $17.0M over the plan ($12.8M NPV), will reduce depreciation by more than $1.0M per annum ($10.2M over the plan period) and will avoid costs of $14.2M through improved LTFP forecasting and budgeting accuracy.

These combined actions have the following impacts:

- Avoided costs / improved capital forecasting accuracy of $14.2M over the forecast period (NPV $9.8M) offset by 10% contingency of $3.3M (NPV $2.4M)
- Net reduction in capital investment of $8.9M over the plan period ($7.2M NPV) by aligning and applying conservative extensions to vehicle EULs. This extension of EULs will also yield an additional $5.1M reduction in depreciation.
- Appointment of a joint fleet manager at no additional cost to the councils to facilitate further and ongoing improvements in fleet cost management
- Equipment sharing, fleet configuration and fleet specification opportunities identified through case studies and to be facilitated by the fleet manager at $2.8M over the plan period ($2.0M NPV)
- Reductions in vehicle costs through joint procurement equating to $3.4M over the plan ($2.5M NPV)
- Improvements in fleet maintenance and operating costs of $330K per annum ($1.9M NPV)
- Freeing up $0.6M per annum ($5.1M over plan) in the operating surplus at CCS through incorporating residual values into depreciation calculations providing rate relief

There are also a range of opportunities that have not yet been valued that will provide future projects for the Collaborative Fleet Manager and further benefits for the councils.

The key themes around findings and recommendations, and their primary impacts, have been summarised below. Note the estimated impacts are based off of actual spend in the 18/19 financial year.

Detailed impacts of the initiatives by cost type, year and council are included in Attachment B.

TABLE 3: Key Findings and Recommendations

Finding	Recommendation	Impact	M	C	P
1. Fleet Management Overall					
1.1. Fleet has historically been managed by 1.0FTE at PAE, 0.6 of an FTE at Marion and 0.2 FTE at CCS. All positions are currently vacant. It is expected efficiencies in the fleet, similar to those identified in this review, will be able to be gained through being able to analyse and optimize fleet across the three councils on an ongoing basis.	Appoint 1.0FTE senior fleet manager (see proposed responsibilities matrix) as a collaborative function across the three councils to facilitate fleet alignment with operations, undertake commercial analysis and optimization of fleet. While the role will be funded from savings in current roles, the role should be managed to self-fund against benefits generated and provide good levels of service to fleet and field operations NOTE Collaboration Governance Framework to apply to implementation.	Net neutral cost impact however will deliver the benefits set out in this review and more	✓	✓	✓

Finding	Recommendation	Impact	M	C	P
2. Fleet Forecasting and Accounting					
2.1. Some long term financial plans and budgets were based on CPI escalated fleet prices (from purchase date) while historic price escalation is close to zero	Apply historic fleet price escalations to all LTFPs and budgets rather than CPI (which equates to 1% per annum on utes only)	$8M+ overstatement of fleet spend forecasts and budgets		✓	✓
2.2. Some fleet managers forecasts and expected spend did not align with that included in the LTFP	Fleet manager to be responsible for developing the fleet and financial forecasts for the asset management plans and inclusion in the LTFP	$6M difference between fleet forecast and LTFP		✓	✓
2.3. Disposal proceeds applied to the financial plans and budgets are lower than historic actual disposal proceeds	Apply disposal proceeds based on historical actuals to fleet forecasts	$1M net adjusted impact over the LTFP	✓	✓	✓
2.4. Errors were identified in the fleet LTFPs and budgets for one council which were not picked up through the LTFP or budget review processes	Finance leader check of AMPs and forecasts to LTFP for the current year, and also movements in LTFP forecasts from current to prior financial years	$4M understatement in LTFP not detected		✓	
2.5. Errors in base cost used to develop forecasts and budgets at CCS (GST is included in many items)	Remove GST from fleet forecasts and use asset base cost	$0.3M overstatement in replacement costs and $1M overstatement in fleet forecast		✓	
2.6. PAE use reducing balance depreciation for fleet which is not common practice.	Convert to straight line depreciation	Likely depreciation holiday for the PAE community (impact not valued)			✓
2.7. Overstated budgets have allowed the opportunity for additional fleet to be purchased or specification to be increased due to funding availability	All new fleet items and upgrades to be supported by a financially viable business case to be counter approved by the Collaborative Fleet Manager	Reduction in fleet investment		✓	✓
2.8. Fleet manager plans can be incomplete (2 out of 3 councils) and not include all vehicles being carried in the financial asset register. Alternatively, the asset registers contain assets no longer owned or in use – sometimes with a carrying value.	Finance responsibility to undertake annual reconciliation between fixed asset register and fleet management reporting tools for completeness	Reduction in inaccuracy in LTFP forecasts / asset register		✓	✓
2.9. A council changes timing of fleet turnover to flatten the profile of capital spend which dilutes fleet management effectiveness (while not delivering any material cashflow benefit or rate relief to the community).	Forecast and capital spend on fleet in line with effective fleet management practices	Achievement of better fleet management outcomes and community value overall		✓	

Overall these collective recommendations and impacts will reduce the fleet manager forecasts by $9.8M (NPV) over the 10 years of the LTFP. These impacts are avoided costs.

Finding	Recommendation	Impact	M	C	P
3. Fleet Estimated Useful Lives					
3.1. The councils have estimated useful lives that are different to each other. Analysis of spend demonstrated the councils with longer EULs weren't exposed to any more significant maintenance spend than those with the shorter lives in the majority.	Align all council EULs to the maximum used by all three councils [3]	A reduction of $6.0M in capital spend (NPV) over the 10 years assessed	✓	✓	✓
3.2. Benchmark estimated useful lives for fleet in local government are not readily available and internal benchmarks may still be and historic auction data indicates that extended useful lives could be applied to heavy fleet.	Extend trucks to 11 years and undertake trial extension of estimated useful lives for other key categories of vehicles to determine maintenance cost exposure to whole fleet portfolio	Added $1.1M NPV for trucks – other categories not valued	✓	✓	✓
3.3. Utilisation is not taken into account when forecasting fleet replacement at all councils noting utilization data is not readily available and there are some concerns regarding accuracy.	Adopt minimum utilization as applied by Marion as a test prior to replacement and work toward replace at maximum use / age for forecasting fleet replacement. [see recommendations on data below]	Not valued		✓	✓
3.4. Accounting useful lives for plant and equipment don't consistently align with EULs applied by fleet managers in practice and do not reflect proposed EULs	Update the financial asset registers of all three councils for the revised estimated useful lives	$0.6M+[4] reduction in depreciation per annum – freeing up op surplus in balancing rate outcomes	✓[5]	✓	✓
3.5. Accounting depreciation does not reflect residual values at one council resulting in ~30% higher depreciation being recovered from the community than necessary[6] which also makes internal costs appear higher than necessary when comparing in-house labour effectiveness to contractor rates.	Update depreciation calculations to reflect expected residual values in line with practice of other councils	$0.6M higher annual depreciation		✓	
3.6. Breakdowns in one asset in 20 may cause concern regarding the EUL of all 20 assets. Benefit could be gained in assessing overall risk across the portfolio of vehicles.	Adopt portfolio risk approach to fleet management	Not valued – captured in trialling extension of EULs		✓	✓
Overall the benefit of extending useful lives will reduce cashflows by $8.7M over the 10 years ($7.1M NPV) also reducing depreciation by $0.6M per annum, reducing pressure on the operating surplus. Further upside exists with the PAE depreciation position which has not been valued.					
4. Fleet Procurement					
4.1. The councils had varying approaches to vehicle procurement with one council seeking three quotes on a per vehicle basis decreasing competitiveness of vehicles being tendered	All fleet procurement to be tendered in bundles and jointly to achieve optimum volume discounts and greater fleet management efficiency	Increased competitiveness in pricing and efficiency in procurement practices	✓	✓	✓

[3] Note – maximum lives not applied for chippers, loaders and excavators where minor breakdown had occurred under maximum life.

[4] Note – PAE impact not quantified due reducing balance revision being proposed

[5] Marion do align the EULs on their new vehicles however have not revised the EULs on the vehicles acquired before their 2018 fleet review

[6] While the lower depreciation results in higher profit on disposal when assets are sold, profits on disposal are excluded from the operating surplus the council manage to with rate increases etc.

Finding	Recommendation	Impact	M	C	P
4.2. Each of the councils were going to market for specific vehicle make and model of vehicle limiting tender competitiveness (ie: approach market for Izuzu D-Max Utes rather than utes with 3T towing capacity etc)	All multiple fleet procurement to be tendered based on specification neutral to make and model	Overall joint procurement impact	✓	✓	✓
4.3. Going to market for specification rather than make and model saw operators at one council receive vehicles that they preferred, at significantly lower net cost, than they would have under prior procurement methods	All fleet procurement to be tendered based on specification neutral to make and model	Improved acceptance and use of vehicles	✓	✓	✓
4.4. Joint fleet procurement trials on utilities saw a 20% improvement in pricing over and above pricing achieved through previous individual council procurement approaches	Joint procurement to be adopted for all fleet items including vehicles in salary sacrifice listings where there is commonality	Overall joint procurement impact	✓	✓	✓
4.5. Operator and maintenance team assessments were not actively used to determine the best vehicles from a price and use perspective across all the councils	Operator assessment and workshop assessment to be included in evaluation criteria at 40% across these categories	Improved acceptance and use of vehicles	✓	✓	
4.6. Disposal proceeds for differing vehicles can vary by more than 20% of the purchase costs of different makes of like vehicles in real terms	Fleet procurement price evaluation to be based on the net Total Cost of Ownership including as a minimum purchase price less proceeds to ensure overall optimal purchasing decisions are made	Overall joint procurement method impact	✓	✓	✓
4.7. Fleet manager expectations on disposal proceeds were not fact based and facility to support consistent prediction of disposal proceeds was not available	Source and use of external data source such as Glass' guide to determine the relative proceeds to incorporate into the price component of vendor evaluations	Overall joint procurement method impact	✓	✓	✓
4.8. Longer term contracting has seen councils lock in higher cost pricing than their peers while also preventing access to new and alternative models	Longer term fleet tendering to be applied where likelihood of model upgrade within contracting period is lower and multi-year volume benefit is likely to exceed functionality benefit	Overall joint procurement method impact	✓	✓	✓
The combined impact of the recommendation to undertake joint procurement for vehicle specification (rather than specified make and model) at 10% benefit on the categories where volume benefit is expected is $3.5M over the 10 year period or $2.4M NPV					
5. Vehicle Disposal					
5.1. Disposal proceeds achieved by PAE through trade in prices appeared to be more favourable than those of the other councils disposing of vehicles through auction	Undertake coordinated trials of vehicle disposals to determine best approach to fleet disposal	Impact not valued	✓	✓	
5.2. One council was spending up to $10K per vehicle to improve appearance prior to disposal however this did not appear to yield better disposal proceed outcomes	Cease preparation for sale	$50K per annum in costs		✓	
The overall valued impact of improving disposal outcomes is $450K over the 10 year evaluation period (0.3M NPV) with upside expected through improved disposal outcomes by testing trade in values as part of procurement					
6. Fleet Management Optimisation					
Fleet Specification and Application					

Finding	Recommendation	Impact	M	C	P
6.1. Comparisons of fleet composition highlighted differences in truck and ute ratios due to mowing configuration. Two councils use trucks to tow mower trailers while the other council uses utes, trailers and mowers to significant financial and operator benefit	Move Marion and CCS to ute / trailer / mower combination for mowing teams to reduce costs and fleet emissions	$750K saving in each rotation	✓	✓	
6.2. Identification of compact sweepers as unique equipment highlighted differences in operational practices between the councils. Analysis of compact sweeper operations highlighted the under-utilsiation and high maintenance costs of the equipment (see Attachment A)	Review retirement of at least one compact sweeper at CCS and alternative practices for remaining compact sweeper	$170K capital saving and $20K (min) annual maintenance saving		✓	
6.3. Comparison of large-scale sweeper costs across the councils highlighted a 20% difference in cost which can be attributed to the higher specification of sweepers at one council. Review of the high spec vehicles has shown the spec can be reduced on at least 2 of the 4 sweepers	Undertake review of specification of sweepers at Marion and CCS and reduce specification on at least two of the four sweepers at CCS	$120K (min) saving per rotation	✓	✓	
6.4. Operational supervisors at one council have hybrid sedans compared to 4WD utilities at other councils with differing environmental and cost outcomes	Review opportunity to align supervisor vehicles across councils and reduce cost and improve environmental outcomes	Not valued due to employee impact however 30% reduction in net total cost and improved emissions outcomes	✓	✓	
6.5. Based on the above specific examples, understanding and alignment of fleet specification across the councils is likely to result in further improvements in financial and operator benefit of vehicles	Collaborative fleet management role to review application of all vehicles up for purchase each year across the councils to continue to assess opportunities to improve	Not valued – additional value from fleet manager role	✓	✓	✓
Fleet Utilisation					
6.6. Low use dedicated pool vehicles were identified at Marion while the pool and staff vehicle approach at the other councils minimized the need for dedicated pool vehicles	Align Marion pool vehicle approach to that of the other councils and dispose of / don't replace low use pool vehicles	$80K saving in not replacing low use pool vehicles	✓		
6.7. Plant and equipment with low use was identified at all three councils.	Review all low use plant items provided with business cases to be prepared for the basis for retention or replacement of those vehicles (ie: bomags, excavators and loaders at PAE)	Not valued – additional value from fleet manager role	✓	✓	✓
6.8. Plant and equipment with outlier use was identified at all three councils presenting the opportunity for vehicles to be rotated through users to result in better presentation of vehicles to market at end of life	Fleet managers to review outlier vehicle use and rotate where possible	Not valued – additional value from fleet manager role	✓	✓	✓
Fleet Hire					
6.9. Plant and equipment is being hired under wet and dry hire arrangements at significant cost at each of the councils which may be able to be	Fleet manager - minimum annual review of hire charges across the councils to	Not valued – additional value	✓	✓	✓

Finding	Recommendation	Impact	M	C	P
sourced through capacity at another council or may be able to be purchased at lower cost	determine opportunity to share or insource equipment hire	from fleet manager role			
6.10. Specific items identified that should be reviewed for sharing or purchase to date are: Fine time haulage 3 way tipper, Big Chief Hire tippers at CCS (kerb and gutter team)		Valued in capital review	✓	✓	✓
Equipment Sharing					
6.11. Councils have specialist equipment other councils would like access to, and that often has capacity to be used by other councils including the Jetvac, hydrovac, varying EWPs and bomags / rollers	Review specialist equipment at each of the councils to determine opportunities for equipment sharing	Not valued – additional value from fleet manager role	✓	✓	✓
6.12. Equipment sharing has highlighted WHS inconsistencies across the councils which may expose councils to risk. Insurance coverage does not apply where external contractors (not TLH) use our equipment so principle of equipment and teams being shared needs to apply.	Establish appropriate equipment sharing practices, tools and processes across the councils that are supported by WHS and People and Culture and Governance leaders (part complete)	Process to support easy safe and risk managed equipment sharing across the councils	✓	✓	✓
6.13. CCS and PAE have expressed an interest in sharing the CCS Jetvac	Pursue trial of Jetvac between PAE and CCS to determine value of sharing arrangement and supporting processes that would be required	Not valued however positive impact for CCS and reduced contractors at PAE		✓	✓
6.14. Review of parks and gardens costs at PAE highlighted contract services of $250K per annum to provide the PAE arb team with access to an 11M tower required for specific programmed pruning for two months of the year. The PAE arb team have capacity to do the work but not the right equipment. Purchase of a tower at $250K would be economic however equipment / team swapping with the CCS arb team would eliminate the cost altogether.	Undertake team swap between CCS and PAE to support high cost contract programmed pruning driven by equipment limitations.	$100K per annum (should be higher) annual reduction in contractor costs at PAE		✓	✓
The overall valued impact of improving disposal outcomes is $2.3M ($1.7M NPV) over the evaluation period. The opportunities that have been valued are only those identified through the case studies undertaken as part of this review – it is expected the Fleet Manager applying these practices on an ongoing basis will yield significant additional value.					
7. Salary Sacrifice and Tool of Trade Vehicles					
7.1. The vehicles available for packaging at each of the three councils varies significantly in the range and net cost of provision. Combining fleet options available to staff will increase opportunities for joint procurement and provide greater selection for staff	Assess combining fleet vehicles available at all three councils to increase range available to employees and increase purchasing power	Not valued	✓	✓	✓
7.2. The proportion of fleet managed through salary sacrifice or paid arrangements varies significantly across the councils changing the net cost of vehicle provision by up to $100K per annum.	Review application of salary sacrifice across councils to determine validity of opportunity from a change and financial perspective	Not valued	✓	✓	✓

Finding	Recommendation	Impact	M	C	P
Increasing use of packaging of vehicles may create greater benefit for employees.					
These opportunities have not been valued however are expected to yield value by giving staff greater choice of vehicle fleet, and at lower cost through greater joint procurement opportunities. Opening up pay based fleet arrangements more widely may also provide added intrinsic value to staff while lowering the net cost of vehicles for work use.					
8. Fleet Operating and Maintenance Costs					
Fuel					
8.1. Up to $0.30 per litre difference in fuel costs was identified in average fuel costs between the councils. Inspection of invoices suggested 20% reduction in fuel costs might be achievable at one council	Fuel Costs could be significantly reduced at one council through the use of Procurement Australia contracts	10% reduction only valued at $80K per annum and $0.7M over evaluation period (likely to be higher)			✓
8.2. The councils have different approach to fuel cards with reporting on outlier fuel stations, multiple fuel use on single cards and fuel per kilometre / hour use for vehicles not reviewed at all councils	Implement fuel control reporting at each of the councils	Risk management	✓	✓	✓
Registration					
8.3. Comparison of registration costs for like vehicles showed reasonable differences which in some cases was due to the specification under which the vehicle was registered being higher than necessary	Have CCS fleet administration staff review the registration classifications at Marion and PAE to determine opportunities to adjust	$30K per annum (minimum) and $250K over the evaluation period	✓	✓	✓
Insurance					
8.4. Insurance premiums for like vehicles and relative to value are 45% higher at PAE than the other two councils. The scheme has said this is due to risk factors (unable to be validated) and that Marion and CCS are being potentially undercharged.	Review insurance arrangements with LGRS including testing the market for all three councils and self-insurance as an option.	No benefit has been assigned Benefit may come from reviewing insurance provision method.	✓	✓	✓
Fleet Maintenance					
8.5. Fleet maintenance costs per vehicle (after adjusting for fleet composition etc) are 30% higher than average and 50% higher than peers at CC due to higher use of contractors for light fleet servicing while there appears to be FTE capacity and higher levels of programmed maintenance that do not appear to have adequate offset in reactive works	Insource work currently with contractors	$140K per annum ($1.2M over evaluation period)		✓	
8.6. Fleet maintenance FTE are 18% higher than average and 30% higher at CCS than at PAE while contractor costs are twice that of PAE at CCS.	Implement reporting to allow for workshop FTE allocations (and unallocated labour) to be more clearly understood at all councils which will support improved productivity	$90K per annum and $0.6M over evaluation period (CCS benefits only)	✓	✓	✓

Finding	Recommendation	Impact	M	C	P
8.7. Unallocated workshop labour is around 30% at two of the councils	Implement fleet reporting and manpower reporting across the workshops to help manage workload and productivity	Not valued	✓	✓	✓
8.8. Tyres are more than 20% of the materials cost for fleet maintenance at around $0.2M annually. PAE have had recent success in improving tyre procurement outcomes and undertaking tyre fitting services inhouse.	Undertake joint procurement for tyres across the three councils. Assess opportunity and value to insource tyre fitting at each of the three councils.	Not valued	✓	✓	✓
8.9. There are more than $160K in unallocated fleet materials costs at one council	Work with team to allocated materials to stores or book to vehicles / specific work orders (rather than generic ones) to track costs	Not valued		✓	
8.10. PAE contractor costs have increased in 19/20 due to not having full staff quotient which has increased net overall costs	Recover contract cost position through insourcing	Savings have not been recorded in this instance as reduction is to get 19/20 back down to baseline costs as at 18/19 - $90K reduction			✓
8.11. Levels of programmed maintenance vary significantly between the councils with Marion having slightly higher reactive repairs across their fleet and significantly less proactive maintenance. Application of proactive maintenance also varies between plant and fleet categories	Critical review of cost and service based impacts of differing approaches to proactive fleet maintenance	Not valued	✓	✓	✓
8.12. CCS undertake mobile mower blade sharpening at a cost of $16K per annum while the other councils don't have comparable costs	Review mower blade sharpening service	$16K per annum and $150K over term		✓	
8.13. Inhouse servicing appears to be lower cost than that provided by external providers (incrementally) however the comparability of the servicing outcomes delivered needs to be tested	Test inhouse servicing costs against externals like for like (time and materials trials) Implement reporting on job costing to help teams insource more and meet / beat contract service costs	Not valued (reductions over time in PAE workshop likely)	✓	✓	✓
8.14. The fleet workshop leader at CCS is currently vacant, and the investment in overheads to support fleet at CCS is higher than at the other councils. Each of the councils will need to work through similar items to improve the effectiveness of their operations and there is likely to be benefit in this being managed centrally with at least PAE.	Consider aligning the leadership / structures of the CCS and PAE workshops to gain benefit of doing things once and together, support cross skilling of team members and aligning data driven approach to fleet maintenance and workshop management	Note valued – benefits expected to be intrinsic		✓	✓
The combined impact of these recommendations is to reduce annual operating costs by $340K per annum or $2.8M over the evaluation period ($2.0M NPV) as well as providing a pipeline of other improvement opportunities.					
9. Environment / GPS					
9.1. PAE are investing in one electric vehicle per vehicle class to trial electric vehicles. This is an opportunity for all three councils to trial electric vehicles across all applications	PAE to facilitate trial across all three councils	Improved understanding of application of EVs	✓	✓	✓

Finding	Recommendation	Impact	M	C	P
9.2. GPS is in place at Marion, being trialled at PAE and considered at CCS. It is a key tool for ensuring drivers and teams are safe, as well as supporting understanding fleet use and optimisation	Pursue GPS implementation at CCS – consider emissions management and GPS tech solution combined	Not valued	✓	✓	✓
10. Data Management and Reporting					
10.1. One council relies on excel spreadsheets to manage their fleet and fleet maintenance while two have systems in place to manage fleet but are not able to or using them to their full potential	Incorporate a review of fleet management systems and value in the ICT strategic plans for the three councils to determine value of implementing sound and consistent solution across the three councils	Not valued	✓	✓	✓
10.2. Fleet maintenance costs are not systematically reviewed to identify issues with specific plant and equipment in order to trigger a review of the equipment (ie: compact sweepers highest cost plant and equipment across the fleet aside from the Jetvac)	Ensure fleet maintenance costs are available at the plant and equipment level	Not valued	✓	✓	✓
10.3. Fleet categorization and descriptions are not consistent across the three councils making it more difficult to review the overall fleet portfolio	Agree fleet categories to be used across the three councils	Not valued	✓	✓	✓
10.4. The councils don't have reporting available to support optimization of the fleet	Establish fleet performance indicators (part of benefits realization of this review) and the reporting to support it which will support greater visibility of what needs to be managed in the fleet	Not valued	✓	✓	✓

7. FINANCIAL ASSESSMENTS AND IMPACTS

The impact of the recommendations on the overall spend, operating surplus and indicators of the operations has been assessed and is contained in the table below.

Overall, the findings will improve cashflows by $17.0M over the plan ($13.6M NPV), will reduce depreciation by more than $1.0M per annum ($10.2M over the plan period) and will avoid costs of $14.2M through improved LTFP forecasting and budgeting accuracy.

Indirect benefits of the recommendations include:

- Capability to improve on the outcomes from this review through the appointment of a collaborative fleet manager and implementation of reporting and analysis to support ongoing effective management of the fleet function
- Additional opportunities that are not yet valued such as insurance reductions, joint tyre procurement,
- Significant reductions in operating surplus pressure at CCS in particular through alignment of depreciation EULs with a adopted EULs and incorporation of residual values into depreciation calculations
- Reduced emissions through reduced vehicles and specification

TABLE 5: Scenarios and NPV Outcomes (Cash and Avoided Cost Only)

$M Scenario	Overview	CoM NPV Cost 10 years (change)	CCS NPV Cost 10 years (change)	PAE NPV Cost 10 years (change)	TOTAL NPV Cost 10 years (change)
As is	Current state (based on 19/20 fleet managers plans and forecasts and 18/19 operating costs)	14.3	38.3	33.9	86.6
Forecast Accuracy Improvements (Avoided Costs)	Revision of depreciation at CCS to capture current EULs, revision of purchases cost base to remove GST, update forecasts for historic trends in price and disposal proceeds / residual values – with 10% contingency added back each year	14.4 0.0	34.5 (3.8)	29.9 (4.0)	78.8 (7.8)
Estimated Useful Lives	Update of fleet forecasts (and depreciation) for maximum EULs across councils and modification of trucks from 10 to 11 years	13.9 (0.5)	30.4 (4.1)	27.4 (2.5)	71.7 (7.1)
Fleet Optimisation	Specific changes to fleet, vehicle specification and consolidation of some fleet and appointment of collaborative fleet manager to identify and implement further opportunities.	13.9 (0.0)	29.6 (0.8)	26.4 (1.0)	69.9 (1.8)
Joint Procurement	10% joint procurement savings on select fleet categories (have volume and ability to consolidate specification)	13.4 (0.5)	28.6 (1.0)	25.5 (0.9)	67.5 (2.4)
Fleet Maintenance Improvements	Implementation of performance reporting for fleet management and and maintenance, insourcing and improvements in workshop productivity, registration classification, fuel contracting, joint procurement of tyres etc	13.3 (0.1)	27.3 (1.3)	24.6 (0.9)	65.3 (2.2)
Cumulative		13.3 (1.0)	27.3 (11.0)	24.6 (9.3)	65.3 (21.3)

()= favourable reduction in net costs

The following table sets out the cash related benefits relative to the fleet managers forecasts for the councils.

TABLE 6: Cashflow Savings Relative to Fleet Manager Forecasts by Council

Cash / Avoided Cost Savings $000s		19/20	20/21	21/22	22/23	23/24	24/25	25/26
City of Marion	Operating	-0	-2	-23	-23	-24	-24	-25
	Capital	-36	-430	-160	482	-205	-261	-104
	TOTAL	**-36**	**-432**	**-182**	**459**	**-229**	**-286**	**-129**
City of Charles Sturt	Operating	0	-95	-143	-263	-270	-276	-282
	Capital	-1,431	-1,787	-1,146	-1,317	-2,145	-1,244	176
	TOTAL	**-1,431**	**-1,882**	**-1,289**	**-1,580**	**-2,414**	**-1,520**	**-106**
City of Port Adelaide Enfield	Operating	0	-66	-296	-304	-301	-308	-318
	Capital	-603	-1,829	-766	-374	-472	-225	-1,899
	TOTAL	**-603**	**-1,894**	**-1,062**	**-677**	**-773**	**-533**	**-2,217**
TOTAL	Operating	-0	-162	-461	-590	-594	-608	-625
	Capital	-2,070	-4,046	-2,071	-1,208	-2,822	-1,731	-1,827
	TOTAL	**-2,070**	**-4,208**	**-2,533**	**-1,799**	**-3,416**	**-2,338**	**-2,452**

The following table sets out the operating surplus impacts relative to 18/19 as a base year.

TABLE 7: Operating Surplus (before capital item) savings against 18/19

Operating Surplus Savings $000s		19/20	20/21	21/22	22/23	23/24	24/25	25/26
City of Marion	Depreciation	0	0	-103	-103	-103	-103	-103
	Operating Costs	0	-2	-23	-23	-24	-24	-25
	TOTAL	**0**	**-2**	**-126**	**-126**	**-127**	**-127**	**-128**
City of Charles Sturt	Depreciation	0	0	-1,182	-1,182	-1,182	-1,182	-1,182
	Operating Costs	0	-95	-143	-263	-270	-276	-282
	TOTAL	**0**	**-95**	**-1,325**	**-1,446**	**-1,452**	**-1,458**	**-1,464**
City of Port Adelaide Enfield	Depreciation	0	0	0	0	0	0	0
	Operating Costs	0	-66	-296	-304	-301	-308	-318
	TOTAL	**0**	**-66**	**-296**	**-304**	**-301**	**-308**	**-318**
TOTAL	Depreciation	0	0	-1,285	-1,285	-1,285	-1,285	-1,285
	Operating Costs	0	-162	-461	-590	-594	-608	-625
	TOTAL	**0**	**-162**	**-1,747**	**-1,876**	**-1,879**	**-1,893**	**-1,910**

KEY ASSUMPTIONS

Note – the basis for the forecasts and baseline for this work are the forecasts held by the fleet managers as at November 2019.

Differences existed between fleet manager forecasts and the 19/20 LTFP forecasts for a number of reasons and budgets can be prepared on a different basis to LTFPs (ie: at PAE the LTFP does not include compounding CPI escalation on vehicle costs from their date of purchase however the budget has).

Adjustments to forecasts for accuracy such as CPI escalation and disposals proceeds have been described as avoided costs. The re-aligned fleet manager forecasts have then been used as the baseline to measure improvements from deliberate decisions to change EULs, fleet composition, fleet workshop productivity etc.

In early 2020, CCS updated their LTFPs to take into account some of the recommendations of this review however all were not reflected in the updates to the Fleet AMP for CCS.

The key assumptions underpinning the financial evaluation are:

- The fleet manager forecasts prepared at the end of 18/19 for 19/20 and beyond were used as the baseline for the review
- 10% contingency assumed on overall fleet capital spend has been allowed (with the aim being this is held contained from the rest of the fleet forecast)
- Changes to fleet manager forecasts relating to refined CPI and disposal assumptions (based on history) have been treated as avoided costs for the purposes of the review
- Changes from these revised forecasts due to improved EUL, fleet and operating assumptions have been treated as cash savings
- Operating costs have been based on the 18/19 financial year
- Joint procurement benefit is 10% on high volume categories of fleet (20% improvement experienced in trial)
- Forecast fleet cost increases based on historic analysis that held pricing largely flat
- Fleet operating costs increased by CPI based on the latest Deloitte Access Economics (pre-COVID) forecast from CCS
- Evaluation period 10 years based on the LTFP duration
- Discount rate – 6% compared to 4.0% long term fixed borrowing rate through LGFA

INVESTMENT COST

No additional costs have been allowed for the implementation of the recommendations in this review aside from the appointment of a collaborative fleet manager. No allowance has been made for reporting and analytics as it is expected this will be covered in the Data and Analytics function being implemented. The workshop recommendations may need to be supported by training for staff.

8. RISKS, ISSUES AND MITIGATIONS

The changes encapsulated in the recommendations amount to a significant amount of change from prior practice for the councils. Through the course of discussions, a number of concerns and risks have been raised in relation to the recommendations, most of which have been able to be mitigated or will be through the implementation process.

A number of risks have been mitigated by allowing for additional resource or costs in the evaluation, while others require either actions through the implementation of the recommendations, or they require additional process ongoing. Key controls relate to:

- a collaborative fleet manager being put in place to support joint procurement and optimisation of fleet across the councils
- ownership and oversight being provided by a cross council governance group for the initiative
- clear visibility of outcomes through metric and benefits reporting
- allowance for contingency in the adjusted forecasts (which is to be managed by the governance group)

Detailed risks and proposed mitigations are included in the attachments.

9. SCOPE

IN SCOPE ACTIVITIES

- Fleet forecasting
- Fleet specification
- Fleet procurement
- Fleet disposals
- Fleet optimisation
- Fleet maintenance
- Fleet registration and insurance
- Fuel management

OUT OF SCOPE ACTIVITIES

Activities that are not in scope are:

- Sign shop
- Fabrication
- Pump maintenance
- Improving operational efficiency to reduce fleet size

10. CHANGE IMPACTS

Key change implications will be in relation to:

- The establishment of the collaborative fleet management function at CCS, reporting into the General Manager, Asset Services with impacts for people who have been acting in or supporting roles during long term fleet management vacancies

There will be some minor implications through the introduction of more reporting in the workshops however this can also have a positive impact as people can transparently see what they have achieved.

The change impacts likely to be driven by this initiative are set out below:

Impact	Marion	CCS	PAE	Outcome
Change in informal / acting fleet management responsibilities	Fleet Manager Position [vacant] Senior Procurement Officer [informal stand-in]	[Workshop Leader] currently vacant	Fleet Purchasing Coordinator	Freed up capacity / potential return to substantive role
New fleet manager position	Operations	Operations	Operations	Fleet management will be a new function and added responsibility at CCS (reporting into GM AMS) and each of the operational teams will need to interact with single collab role rather than local fleet management role
Movement of fleet management responsibility to collab function at CCS	Change from Strategic Procurement Leader	Additional responsibility CCS Asset Services Change from Manager Governance	Change from Manager, Infrastructure, Assets and Maintenance	Minor change in capacity
Change in budget management / process	Strategic Procurement Leader	Manager Governance	Manager Infrastructure, Assets and Maintenance	Depends on what is agreed however likely to be joint ownership of budget as minimum – likely transfer of budget responsibility CCS
Procurement Policy Modification	Strategic Procurement Leader	Manager Governance	Manager Infrastructure, Assets and Maintenance	SP leader to update policy and also co-sign of fleet purchases
Sharing of reporting and data on workshop activities	Workshop team members	Workshop team members	Workshop team members	Will be new task for workshop leaders and a change in work tempo for team members. Will also let teams have sense of achievement in seeing what they achieve
People and Culture Leaders involved in assessing vehicle policies	Manager People and Culture	Manager People and Culture	Manager People and Culture	Additional project to assess opportunities in combining / aligning fleet packaging options across the councils
WHS representatives	WHS leader	WHS leader	WHS leader	Interaction with collab fleet manager and operations

11. PRINCIPLES

The following principles are proposed to underpin the agreement between the councils with regard to a collaborative fleet procurement function and are in addition to the collaboration principles already captured in the Collaboration Framework:

- No council is to be disadvantaged
- Costs to be charged on a recovery basis only
- Costs allocated based on the proportion of fleet owned by each council on a volume basis
- Delegations and system access to all three councils to be provided to incumbent
- Budgets and actual fleet costs to be retained at home councils with control facilitated through centralized systems and reporting
- Governance as per collaboration governance framework
- Each council's operational staff are to be engaged in the specification, evaluation and selection of equipment with 40% of evaluation criteria to be based on user, workshop and HSE assessment
- Fleet procurement will be undertaken based on specification of requirements (and not make and model) to ensure optimal competitive process
- Benefits to be assessed based on net lifecycle cost considering expected and relative disposal proceeds
- Sponsors |Adrian Ralph, Mark Buckerfield, Tony Lines
- Governance Group | Adrian Ralph [GM rep], Gary Baker, Peter Kinnersly, Fiona Harvey, Steph Roberts
- Host Council | City of Charles Sturt – with function reporting into Adrian Ralph GM Asset Services

12. STAKEHOLDERS AND ENGAGEMENT

The following stakeholders all currently have an involvement in the use or management of fleet across the Cities of Marion, Charles Sturt and Port Adelaide Enfield or an interest in this review. This group will need to be engaged in the initiative. Each council will be impacted relatively similarly from the review in terms of consolidating fleet management.

Role	Who	Interest
Fleet Leaders	• Jamie Dunnicliff • Colin Heath • Gary Baker • Tober Solito • Kerri Jackson • [Workshop Leader CCS]	• Changes in responsibilities regarding fleet management at each of the councils • Changes in budget ownership responsibilities (potential co-ownership with collab fleet manager or other) • Changes in processes and interactions with team • Some minor freed up capacity at Marion in procurement team
Workshops	• Roger Belding • Tober Solito • [Workshop Leader CCS]	• Involvement in vehicle selection and evaluation • Reporting and productivity changes
Operations Leaders	• All leadership across all three councils	• Majority of leadership have staff with vehicle operations • Process change and interactions regarding vehicle selection and management
Asset Management	• Simon P Davis • Chris Shallow • Brendon Lyons	• Fleet Asset Planning interactions • AMP development
Operational Leaders / Executive	• Adrian Ralph • Mark Buckerfield • Tony Lines	• Potential ownership of collab service (CCS) • Change in responsibilities with regard to fleet management • Potential change in nature of fleet budget ownership

Role	Who	Interest
	• Donna Dunbar • Sorana Dinmore	• Information, communication and oversight
Procurement	• Jamie Dunnicliff • Paul Whatling • Tim Hoggan • Colin Heath	• Management of existing contract arrangements • Clarification on roles and responsibilities in interaction / handoffs with fleet manager • Capture of fleet manager sign off in procurement policies

People and Culture	• Jacki Done
	• Steph Roberts
	• Victor Dellavia
		• Salary sacrifice and vehicle packaging review recommendations
		• Collaborative Fleet Manager recommendations
		  • Role descriptions and classifications
		  • Organisational impacts
		  • Change planning and management

WHS	• Tracey Ware • Tennelle Driver (FYI) • Sherie Walczak (FYI)	• Changes in relation to procedures for changing fleet • Risk assessment • Safety documentation development for fleet • Interaction with new role
Finance	• Annette Martin • Mark Gray • Ray Barnwell (FYI only)	• Changes in depreciation processes / calculations • Funding for initiatives • Update budgets and plans for costs and benefits • AMP and LTFP update
Marketing and Communications	• Kristie Johnson • Craig Clark • Chris Crago	• Employee communication and awareness • EM engagement • Communication of benefits to community
Service Reviews	• Donna Dunbar • Karen Cocks/Sorana Dinmore • Abby Dickson	• Report recipients • EM engagement

13. DELIVERY AGAINST OBJECTIVES

The combined recommendations of the review deliver on its objectives as follows:

TABLE 8: Delivery against objectives

Objective	How delivered
Improve service levels, productivity, quality, risk management and customer experience	• Increase visibility of workloads in workshop • Report on downtime and availability and use of equipment • Insource more maintenance work at CCS • Improved forecasting and accuracy in fleet LTFPs • Review fleet package offerings across the councils
Create value for the community	• Extend EULs of equipment (without exposure) material increase in operating costs or decrease in disposal proceeds • Don't replace low use fleet • Undertake equipment sharing of specific or underutilised equipment • Adopt competitive tendering processes, together, to reduce fleet costs • Changes in depreciation practices to improve operating surplus outcomes
Improve Environmental Outcomes	• Reduce emissions from mower towing configuration through downsize to utes • Leverage PAE investment in EVs to understand suitability and opportunity in expanding use of EVs in fleet • Report on emissions outcomes of fleet
Identify opportunities for effective collaboration	• Implement collaborative fleet manager to implement review recommendations, facilitate fleet optimisation and joint procurement across the three councils

14. BENEFITS REALISATION

As this review is resulting in the creation of an imminent collaborative function, the governance for the delivery of recommendations is proposed to be managed under the Collaboration Framework. Benefits, reporting and annual reviews will be managed centrally through the collaborative performance improvement function or project manager designated by the Sponsor General Managers and in accord with the Collaboration Framework requirements.

The following actions will be put in place to ensure the goals, targets and assumptions reflected in this review are achieved:

- Capture of all service review actions in the relevant council's audit / action follow up systems to ensure the recommendations are tracked, followed up and ultimately implemented
- Monthly governance meetings for the fleet function to both track implementation of the fleet management function and other recommendations and to support the ongoing improvement in fleet management effectiveness across the three councils
- Monthly reporting dashboards to be put in place to track the nominated metrics and support the long term realisation of benefits.
- Quarterly Executive Sponsor Meetings to provide strategic oversight of the initiative and ensure the objectives and targets set out in this review are being achieved.
- Formal annual review of the initiative against all plans and the assumptions in this review by CEOs, presented by Host Council CCS

15. REPORTING AND MEASUREMENT

The following metrics reporting will be implemented to track outcomes from the implementation of the recommendations of this report. Targets have been developed for the KPIs in a number of cases and can be found in the financial model accompanying this report.

Objective	How delivered
Improve service levels, productivity, quality, risk management and customer experience	• Annual survey on fleet management service satisfaction • Workshop activity • Fleet Downtime / Availability / Utilisation
Create value for the community	• Fleet numbers • Fleet Value • Fleet Replacement Costs • Fleet Disposal Proceeds • Average Age at Disposal • Fleet Net Replacement Costs • Average Fleet Turnover Rates • Fleet Maintenance Costs • Fleet Operating Costs • Net Fleet Operating Costs (net of staff contributions)
Improve Environmental Outcomes	• Vehicle fleet related emissions

16. CONSULTATION AND ENGAGEMENT

Significant consultation has been undertaken across the three councils regarding this review and the recommendations included within it including:

- Briefing sessions with the Executive Groups at each of the three councils
- GM briefing sessions
- Stakeholder meetings including sharing analysis and findings as well as agreeing recommendations and joint procurements for 19/20 and 20/21
- Joint procurement team and evaluation meetings
- Risk and issue identification session with project team and broader group to stress test business case and planning

Each of these sessions involved briefing the participants on the initiative at its various stages, gaining input and understanding concerns, risks and issues to be mitigated.

17. KEY IMPLEMENTATION MILESTONES

Key milestones relating to the implementation of the project will be agreed by the Executive Sponsors of this initiative.

ATTACHMENTS

ATTACHMENT A | ANALYSIS UNDERTAKEN

See presentations

ATTACHMENT B | KEY RISKS, ISSUES AND MITIGATIONS

The following items were identified through the course of the initiative by the project team, analysts and operational representatives involved in the project. Each item will be addressed in the project implementation plan, the manner in which the solution has been designed or through the costs for the project.

The key risks with the initiative relates to being able to get the councils to align in their vehicle requirements and supporting practices which has been mitigated through the allowance of a dedicated fleet manager to manage this alignment across the councils.

TABLE 4: Key Risks, Issues and Mitigations

Risk	Mitigation	Covered where?
Collaborative Fleet Manager		
Councils don't use or bypass	• Budget management responsibility surrogated to fleet manager • Procurement policy to require fleet manager sign off on fleet purchases at each council • Clarity in roles and responsibilities • Cross Council Governance Group responsible for implementation and support of the function across the councils	Implementation plan Process roles and responsibilities Governance
Service levels reduce through implementation	• Set up communication protocols with host council as part of implementation • Governance group	Implementation plan Governance
Capacity of Host Council GM?	• AMS group to support implementation of monitoring and reporting	Implementation plan
Capacity during peak workloads	• Manage planning process in advance of the budget process for fleet	Implementation plan
Review Recommendations		
Savings aren't able to be realised	• Where savings haven't been able to be specifically quantified they have not been valued against the recommendation • 10% contingency in forecast accuracy differences • Implementation of reporting and benefits monitoring to help track and identify issues requiring remediation	
Joint Procurement Process		
Councils don't work together	• Collaborative resource to facilitate fleet management across the three councils	Recommendations and costs
Operators have different preferences	• Is an issue with within council processes • Evaluation criteria set and % agreed prior to go to market • Operators / workshop and HSE to have 40% weighting against net TCO • Clear roles and responsibilities (see attachment C)	Evaluation criteria Process and responsibilities
Timing Compromised	• Annual procurement process to commence November of preceding financial year to agree fleet purchases and treatment and allow for plans to be incorporated into council budgets	Implementation plan

Risk	Mitigation	Covered where?
	• Service levels to be set with Strategic Procurement from time of provision of requirements to tender close	
Vehicle availability / model changeover	• Risk with non-collab procurement also	Not initiative specific issue
Manufacturing lead times	• Risk with non-collab procurement also	Not initiative specific issue
Alignment on final decision	• Evaluation criteria and weightings agreed prior to procurement	Procurement principles
Total cost of ownership is higher on cheaper models	• Take residual value into account in evaluation of cost	Procurement principles
Exposure to lemons	• Risk with non-collab procurement • Seek out peer input from other councils • Seek workshop input into procurement evaluation	Not initiative specific issue Procurement principles
Probity	• Fleet procurement process to align with all three council's procurement policies • Facilitate procurement through Strategic Procurement team following compilation of specification	Procurement Policy
Budget	• Managed at each council • Tender should be managed in a way to get the best pricing so should not be any risk over and above single council procurement	Not initiative specific issue
Existing agreements and relationships	• Strategic procurement to manage in line with practice on all procurements	Strategic Procurement role
Trade off between long term and one year	• Balance (quantified) volume benefit with ease of one process • Take into account major model upgrade horizons • Three council sign off on procurement strategy to ensure balance of needs between operations, fleet and procurement	
Complexity of the three councils working together outweighs the benefits	• Joint procurement trialled and costs of process against benefits against prior purchase price proved additional time (which was minimal) was worthwhile	
Unions	•	
Operational team engagement	•	
How to test volume discount	•	
Managing expectations	•	
Disposal process	•	
Overall Collaboration		

SERVICE REVIEW | **FLEET MANAGEMENT AND MAINTENANCE**

ATTACHMENT C | DETAILED FINANCIAL IMPACTS BY COUNCIL AND COST TYPE

Benefit Number	Cashflow Savings Against Fleet Forecast $000s ()=reduction	Council	Scenario	Benefit Type	Capital /Operating	Nature	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	TOTAL	NPV
1	Residual Value in Depreciation	CCS	Forecasting	Accounting	Operating	Depreciation	-	-	- 641,682	- 641,682	- 641,682	- 641,682	- 641,682	- 641,682	- 641,682	- 641,682	**- 5,133,456**	- 3.5
2	Residual value depreciation - loss on sale	CCS	Forecasting	Accounting	Below the line	Loss on sale	-	-	641,682	641,682	641,682	641,682	641,682	641,682	641,682	641,682	**5,133,456**	3.5
3	ForecastIng accuracy - CPI	Marion	Forecasting	Avoided Cost	Capital	Fleet	-	-	-	-	-	-	-	-	-	-	**-**	-
4	ForecastIng accuracy - Residual Value	Marion	Forecasting	Avoided Cost	Capital	Fleet	7,292	15,027	500	- 3,411	- 11,553	- 47,365	- 12,098	- 16,656	13,125	- 10,010	**- 65,149**	- 0.0
5	ForecastIng accuracy - CPI	CCS	Forecasting	Avoided Cost	Capital	Fleet	-	- 603,442	- 411,943	- 528,297	- 1,103,612	- 501,984	- 638,534	- 833,626	- 1,238,785	- 962,249	**- 6,822,472**	- 4.7
6	ForecastIng accuracy - Residual Value	CCS	Forecasting	Avoided Cost	Capital	Fleet	-	- 41,941	- 13,697	- 138,624	- 198,299	- 2,933	70,459	138,793	- 6,422	118,550	**- 74,112**	- 0.1
7	ForecastIng accuracy - CPI	PAE	Forecasting	Avoided Cost	Capital	Fleet	-	- 567,994	- 466,160	- 552,160	- 452,610	- 509,976	- 965,011	- 684,428	- 646,360	- 1,440,447	**- 6,285,146**	- 4.3
8	ForecastIng accuracy - Residual Value	PAE	Forecasting	Avoided Cost	Capital	Fleet	-	- 153,797	- 68,562	- 52,959	- 123,425	- 145,474	- 66,589	- 170,148	- 106,085	- 56,667	**- 943,706**	- 0.7
9	EUL Revisions - Gross Cost	Marion	Estimated Useful Lives	Cash	Capital	Fleet	- 81,000	- 543,000	61,000	309,000	- 392,000	- 281,000	- 152,000	362,000	- 311,000	4,000	**- 1,024,000**	- 0.8
10	EUL Revisions - Residual Values	Marion	Estimated Useful Lives	Cash	Capital	Fleet	58,900	185,020	- 5,189	- 91,912	210,985	53,643	67,370	- 108,074	140,091	- 23,238	**487,598**	0.4
11	EUL Revisions - Gross Cost	CCS	Estimated Useful Lives	Cash	Capital	Fleet	- 1,879,493	- 1,433,831	- 1,042,544	- 548,339	- 1,165,949	- 1,034,555	1,707,614	- 431,007	- 1,164,051	256,751	**- 6,735,404**	- 5.6
12	EUL Revisions - Residual Values	CCS	Estimated Useful Lives	Cash	Capital	Fleet	381,759	402,134	354,030	312,410	457,861	337,156	- 699,343	79,783	438,226	- 139,754	**1,924,262**	1.6
13	EUL Revisions - Gross Cost	PAE	Estimated Useful Lives	Cash	Capital	Fleet	- 477,500	- 1,570,837	- 226,436	375,657	145,669	585,651	- 949,001	- 937,012	199,675	- 1,225,669	**- 4,079,803**	- 3.0
14	EUL Revisions - Residual Values	PAE	Estimated Useful Lives	Cash	Capital	Fleet	- 242,987	418,757	1,466	- 137,509	- 26,246	- 129,227	151,859	431,893	- 13,839	315,544	**769,713**	0.5
15	EUL Revisions - Depreciation	Marion	Estimated Useful Lives	Accounting	Operating	Depreciation	-	-	- 103,035	- 103,035	- 103,035	- 103,035	- 103,035	- 103,035	- 103,035	- 103,035	**- 824,284**	- 0.6
16	EUL Revisions - Depreciation	CCS	Estimated Useful Lives	Accounting	Operating	Depreciation	-	-	- 540,633	- 540,633	- 540,633	- 540,633	- 540,633	- 540,633	- 540,633	- 540,633	**- 4,325,066**	- 3.0
17	EUL Revisions - Depreciation	PAE	Estimated Useful Lives	Accounting	Operating	Depreciation	-	-	-	-	-	-	-	-	-	-	**-**	-
18	Mower Configuration - Capital Reduction	Marion	Fleet Optimisation	Cash	Capital	Fleet	-	-	-	-	-	-	-	- 22,000	- 370,000	- 18,000	**- 410,000**	- 0.2
19	Mower Configuration - Proceeds reduction	Marion	Fleet Optimisation	Cash	Capital	Fleet	-	-	-	-	-	-	-	-	-	-	**-**	-
20	Mower Configuration - Fuel reduction	Marion	Fleet Optimisation	Cash	Operating	Fuel	-	-	-	-	-	-	-	-	- 15,000	- 15,000	**- 30,000**	- 0.0
21	Mower Configuration - Insurance Reduction	Marion	Fleet Optimisation	Cash	Operating	Insurance	-	-	-	-	-	-	-	-	- 3,000	- 3,000	**- 6,000**	- 0.0
21	Mower Configuration - Capital Reduction	CCS	Fleet Optimisation	Cash	Capital	Fleet	-	-	-	- 385,000	-	-	-	-	210,000	-	**- 175,000**	- 0.2
22	Mower Configuration - Proceeds reduction	CCS	Fleet Optimisation	Cash	Capital	Fleet	-	-	-	-	-	-	-	-	- 73,500	-	**- 73,500**	- 0.0
23	Mower Configuration - Fuel reduction	CCS	Fleet Optimisation	Cash	Operating	Fuel	-	-	-	- 15,400	- 15,400	- 15,400	- 15,400	- 15,400	- 15,400	- 15,400	**- 107,800**	- 0.1
24	Mower Configuration - Insurance Reduction	CCS	Fleet Optimisation	Cash	Operating	Insurance	-	-	-	- 3,500	- 3,500	- 3,500	- 3,500	- 3,500	- 3,500	- 3,500	**- 24,500**	- 0.0
25	Sweeper Configuration	CCS	Fleet Optimisation	Cash	Capital	Fleet					- 120,000						**- 120,000**	- 0.1
26	Compact Sweepers - Capital Reduction	CCS	Fleet Optimisation	Cash	Capital	Fleet	-	- 170,000	-	-	-	-	- 170,000	-	-	-	**- 340,000**	- 0.3
27	Compact Sweepers - Proceeds Reduction	CCS	Fleet Optimisation	Cash	Capital	Fleet	-	-	-	-	-	-	15,000	-	-	-	**15,000**	0.0
28	Compact Sweepers - Repair Reduction	CCS	Fleet Optimisation	Cash	Operating	Contractors	-	- 20,000	- 20,000	- 20,000	- 20,000	- 20,000	- 20,000	- 20,000	- 20,000	- 20,000	**- 180,000**	- 0.1
29	Hybrid Sedans for supervisors	Marion	Fleet Optimisation	Cash	Capital	Fleet											**-**	-
30	Hybrid Sedans for supervisors	CCS	Fleet Optimisation	Cash	Capital	Fleet											**-**	-
31	Retire dedicated pool vehicles	Marion	Fleet Optimisation	Cash	Capital	Fleet								- 22,000	- 40,000	- 18,000	**- 80,000**	- 0.1
32	Stop pre-disposal detailing	CCS	Fleet Optimisation	Cash	Capital	Fleet		- 50,000	- 50,000	- 50,000	- 50,000	- 50,000	- 50,000	- 50,000	- 50,000	- 50,000	**- 450,000**	- 0.3
33	Equipment Sharing EWP	PAE	Fleet Optimisation	Cash	Operating	Contractors	-	-	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000	**- 800,000**	- 0.6

SERVICE REVIEW | FLEET MANAGEMENT AND MAINTENANCE

Benefit Number	Cashflow Savings Against Fleet Forecast $000s ()=reduction	Council	Scenario	Benefit Type	Capital /Operating	Nature	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	TOTAL	NPV
34	Collaborative Fleet Manager - Hire	PAE	Fleet Optimisation	Cash	Operating	Employee Costs		75,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	**1,275,000**	0.9
35	Collaborative Fleet Manager - Recharge	PAE	Fleet Optimisation	Cash	Operating	Recoveries		-45,000	-90,000	-90,000	-90,000	-90,000	-90,000	-90,000	-90,000	-90,000	**-765,000**	-0.6
36	Collaborative Fleet Manager - Recharge	CCS	Fleet Optimisation	Cash	Operating	Recoveries		30,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	**510,000**	0.4
37	Collaborative Fleet Manager - Recharge	Marion	Fleet Optimisation	Cash	Operating	Recoveries		15,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	**255,000**	0.2
38	Collaborative Fleet Manager - Savings	Marion	Fleet Optimisation	Avoided Cost	Operating	Employee Costs		-16,500	-33,000	-33,000	-33,000	-33,000	-33,000	-33,000	-33,000	-33,000	**-280,500**	-0.2
39	Collaborative Fleet Manager - Savings	PAE	Fleet Optimisation	Cash	Operating	Employee Costs		-55,000	-110,000	-110,000	-110,000	-110,000	-110,000	-110,000	-110,000	-110,000	**-935,000**	-0.7
40	Collaborative Fleet Manager - Savings	CCS	Fleet Optimisation	Avoided Cost	Operating	Employee Costs		-12,500	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	**-212,500**	-0.2
41	Collaborative Fleet Manager - Costs	CCS	Fleet Optimisation	Avoided Cost	Operating	Employee Costs		9,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	**153,000**	0.1
42	Joint Procurement	Marion	Joint Procurement	Cash	Capital	Fleet	-	-16,800	-85,300	-87,800	-77,500	-81,500	-71,600	-72,200	-21,700	-109,000	**-623,400**	-0.4
43	Joint Procurement	CCS	Joint Procurement	Cash	Capital	Fleet	-	-26,200	-94,493	-128,027	-272,396	-116,416	-337,504	-241,173	-156,939	-177,527	**-1,550,677**	-1.1
44	Joint Procurement	PAE	Joint Procurement	Cash	Capital	Fleet	-	-29,500	-129,602	-185,605	-158,404	-194,802	-200,892	-91,018	-134,702	-200,092	**-1,324,617**	-0.9
45	Insource CCS maintennace	CCS	Fleet Maintenance Improv	Cash	Operating	Contractors	-	-70,000	-140,000	-140,000	-140,000	-140,000	-140,000	-140,000	-140,000	-140,000	**-1,190,000**	-0.8
46	Recover contract costs PAE	PAE	Fleet Maintenance Improv	Cash	Operating	Contractors	-	-	-	-	-	-	-	-	-	-	**-**	-
47	Fuel contract	PAE	Fleet Maintenance Improv	Cash	Operating	Fuel	-	-39,321	-78,642	-78,642	-78,642	-78,642	-78,642	-78,642	-78,642	-78,642	**-668,460**	-0.5
48	Registration Changes	Marion	Fleet Maintenance Improv	Cash	Operating	Registration	-	-	-18,770	-18,770	-18,770	-18,770	-18,770	-18,770	-21,770	-21,770	**-156,158**	-0.1
49	Registration Changes	PAE	Fleet Maintenance Improv	Cash	Operating	Registration	-	-	-10,950	-10,950	-10,950	-10,950	-10,950	-10,950	-10,950	-10,950	**-87,598**	-0.1
50	Insurance Premium Test	PAE	Fleet Maintenance Improv	Cash	Operating	Insurance											**-**	-
51	Productivity improvements	CCS	Fleet Maintenance Improv	Cash	Operating	Employee Costs	-	-	-	-91,260	-91,260	-91,260	-91,260	-91,260	-91,260	-91,260	**-638,820**	-0.4

ATTACHMENT D | ACTIONS, OWNERS AND TIMING FOR RECOMMENDATIONS

To be completed by PM

ATTACHMENT E | PROPOSED FLEET ROLES AND RESPONSIBILITIES

Task	Ops	Proc	Fleet Mngr	Fleet Admin	Work shop
Data Capture and Reporting					
• Work with fleet administration and workshops to capture fleet operating, maintenance and repair costs and utilisation data and any other data required to support fleet optimisation			X		
• Support workshops and fleet admin to improve efficiency of fleet data and asset management capture including supporting business case development for system changes where required			x		
• Monitor and improve (in conjunction with fleet admin and workshop) fleet asset data accuracy and integrity			X		
• Develop, implement and maintain reporting on fleet maintenance costs and utilisation and defined fleet management KPIs			X		
• Publish reporting and review with fleet admin, workshops and operations at least quarterly			x		
• Financial year budget allocation created with verification of assets to be replaced, upgraded or deferred.			X		
• Track budgets both purchase and disposal.			X		
• Track charge out rates across the fleet for budgeting purposes.			X		
• Track fuel usage across the fleet and follow up on anomalies			X		
• Track expensed costs to asset usage discrepancies.			X		
• Maintain fleet purchasing and disposal forecasts			X		
• Review and test fleet insurance premiums			x		
• Ensure optimal vehicle classification for registration purposes			x		
• Maintain fleet maintenance and operational cost forecasts				X	
Fleet optimisation					
• Work with all council operations to improve fleet utilisation rates			X		
• Review low use vehicles and work with operations to determine best approach to resolution (retire / share etc)			X		
• Review use of fleet for like applications across all three councils and work to align to most effective configuration			X		
• Report on and review fleet hire costs for opportunities through sharing, increased utilisation of existing plan or acquisition			X		
• Regularly review fleet maintenance costs – evaluate outlier equipment and determine appropriate action			X		
• Look for opportunities to share specialist and / or underutilised equipment across the councils and facilitate the equipment sharing process in line with probity, collaboration and WHS requirements			X		
• Work with the operations when new equipment is identified as being required to determine optimal way of satisfying need (ie: hire, buy, share)			x		
• Support business case development for new fleet / plant when required					
Fleet Policy and Asset Management					
• Implement, align, review and maintain fleet management policies in line with council processes to ensure policies are current and relevant			x		
• Annual Review and Update of Asset Management Plans and LTFPs			X		

Task	Ops	Proc	Fleet Mngr	Fleet Admin	Work shop
• Work with fleet administration to support development of improved processes for the vehicle lifecycle including workflow development, system improvements etc			x		
Annual Planning					
• Compilation and maintenance of combined fleet forecasting models			x		
• Coordination of joint collaboration fleet planning sessions			x		
• Develop procurement strategy with group – by category (new quote, tender, joint, collaborative, existing LGAP, Procurement Australia or Vendor Panel, existing contract etc)			X		
• Development of annual procurement plan and timelines			X		
Category Management					
• Understand changing fleet market conditions (heavy and light) to feed into development of purchasing strategies			x		
• Develop and gain approval for case to alter strategy where changing market conditions suggest beneficial to do so			x		
Procurement					
• Procurement Tracking – Report and communicate on procurement progress by vehicle to stakeholders		x			
• Coordination / Nomination of evaluation panel members	x		x		
• Replacement Notification Forms created and emailed to custodians / managers for each asset.			x		
• Development of requirements (including build meetings where required)	x		x		
• Update any program management reporting on fleet acquisition			x		
• Assessment sheets created for fleet asset assessments to be recorded.	X		X		
• RFQ/ tender or quote documents created in line with agreed procurement approach in plan		x			
• Procurement documentation reviewed and signed off by panel / operators to ensure aligns to expectations	X		X		
• Release / publish procurement documentation to market where required and in line with policy, probity and process		X			
• Following approval, notify all vendors of success or otherwise		X			
• Organisation of trade in / auction appraisals			x		
Evaluation					
• Organisation of asset demonstrations for assessment				X	
• Collation of all evaluation scores supplied on the assessment sheets.			X		
• Registration of procurement and contract data in respective document management systems			x		
• Write and gain approvals for recommendation and Approval Report			x		
Purchase					
• Request for new asset ID from finance unless it is a non-capitalised asset then a spreadsheet running tally states next asset ID number				x	
• Create purchase orders for approval				x	

Task	Ops	Proc	Fleet Mngr	Fleet Admin	Work shop
• Release purchase order				X	
• Revalidate build specification			x		
• Keep in contact with all vendors to keep abreast of builds and delivery times, notifying all stakeholders if there is any deviation from the initial delivery date or any issues arising from the build.			x		
• Organisation of Pre paint meeting to ensure body meets the specifications agreed to at the pre-build meeting.			X		
• Sign off of pre paint meeting for truck bodies to enable painting of the body.			X		
• Organisation of a pre-delivery meeting to ensure asset meets all specifications requested in the RFQ and any signed off alterations before delivery.			X		
Safety					
• Obtain all relevant service and maintenance documentation including risk assessments to enable a smoother, safer and quicker transition from commissioned and operational asset to an asset in operation.				x	
• Development of safety documentation and SOPs for equipment	x				
• Organisation of training / induction upon delivery of assets for a minimum of two staff and also service technician training if the asset requires specialised servicing.	x			x	
Commissioning Process:					
• Update program management system for progress against fleet procurement plans			x		
• Receive the asset				x	
• Ensure asset is registered correctly				x	
• Check invoice matches purchase order.				x	
• Register invoice in line with processes to ensure payment processing				x	
• Install all Council required decals				x	
• Organisation of accessories changeover from old asset to new if applicable				x	
• Add to service register to ensure scheduled maintenance set up				x	
• Ensure all WHS requirements are met prior to equipment being released to operations				X	
• Order initial wash and vacuum tokens if required				X	
• Order new datafuel tags or fuel cards if required				X	
• Create Vehicle Contact List				X	
• Supply Crash card				X	
• Order and install new car park pass and update Parking list.				X	
• Notify the relevant parking authority of the updated parking list.				X	
• Take asset photos and add them as an attachment to asset management system				X	
• Notify People & Culture of manager's vehicle collection for salary sacrifice payments to commence if applicable.				X	
• Enter all obtained data into the asset shell in IPS and make the asset operational.				X	
• Input the researched residual value for the asset.				X	

Task	Ops	Proc	Fleet Mngr	Fleet Admin	Work shop
• Input the life expectancy as specified in the Asset Management Plan.				X	
• Create charge out rate if applicable.			x		
• Work with finance to update financial asset data for disposed and new asset				x	
• Add to RAA account if applicable				x	
• Notify property of any required parking or gate access detail updates				x	
• Add asset to vehicle booking system where appropriate (and remove prior vehicle also)				x	
• Organisation of asset change over with custodian / operator.				x	
• Receive the goods in the finance system and advise purchase approver of receipt and invoice to allow for payment release				x	
Decommissioning Process:					
• Supply trade in invoice if old asset is to be traded.			x		
• Arrange decommissioning of old asset with Workshop.				x	
• Supply workshop with registration certificate if vehicle registration is to be cancelled.				X	
• Cancel vehicle registration (if not cancelled by disposing agency such as Pickles)				x	
Ongoing operational support					
• Initiate and hold monthly fleet meetings with operations and fleet stakeholders					
• Participate in insurance claims when damaged or stolen assets are required to be replaced.				X	
• Aid in fleet asset owner queries in regard to their assets.				X	
• Perform registration renewals and enact payment.				X	
• Fuel card processing and card maintenance (i.e.: lost, new, collect etc)				X	
• Participate in Monthly Fleet Meetings to show how the budget is tracking and the progress of each project.			x	x	x
• Aid with costings for new fleet initiatives.					
• Monitor expensed costs of assets to ensure correct charge out rates.					