

Council

ACTING CEO REPORT ON KEY PERFORMANCE  
INDICATOR 3

Plant and Equipment Report

Meeting Date: 3 November 2020

Number of Pages : 7

**REPORT ON KEY PERFORMANCE INDICATOR 3**  
**REVIEW PLANT AND EQUIPMENT IN ROAD MAINTENANCE OR**  
**CONSTRUCTION AND PARKS AND GARDENS AREAS**

**SUMMARY**

Given that the local government is primarily undertaking a service provider role, whereby the community has an expectation that service (maintenance requests) will be dealt with fairly quickly, the unfortunate reality of meeting this expectation, will be that the organisation will have some underutilised plant to allow them to respond accordingly. The alternative, should it be available, is to source the plant/equipment via a local or regional contractor.

A number of local governments in recent times have proceeded down a path of a combination of both in-house and contractor, where some road construction works are tendered out whilst others are retained in-house. This allows a greater degree of flexibility to accept tenders when they are favourable to the organisation (cost is less than what the organisation can undertake the works), but then allows the organisation to complete the works when interest is low. It also reduces the likelihood of tenderers increasing their tender on the basis that they are aware that the organisation no longer has the in-house capability to undertake the works.

Ownership and utilisation of plant is something that requires an ongoing review, especially in regards to the availability locally of specialised plant or plant items that have low annual usage by the organisation, to ensure that the most efficient and cost effective option is taken advantage of at all times.

**BACKGROUND**

As part of my contract of employment as Acting Chief Executive Officer (A/CEO), prior to Council appointing a permanent CEO, Council has indicated that the prime function of my role, in addition to day-to-day management responsibilities, *'is to determine the place Plantagenet may fit into the local government role heading into 2030 and to look at the strengths and weaknesses of the organisation and make recommendations in areas of both personnel and hard assets.'*

Council has set four Key Performance Indicators (KPI's), with a further one to be completed if the appointment is extended past the six-month initial engagement and requested a report be submitted to Council on each one by a predetermined date. The third KPI is as follows:

- ❖ *Review the plant and equipment in both road maintenance or construction and parks and gardens areas.*

The key task requested by Council in regards to this KPI is to:

- ❖ Look into the plant and equipment both road maintenance or construction and parks and gardens areas.

Council has also requested that the report respond to the following:

- ❖ Are we effective in our current format or are there advantages by taking a holistic view with our neighbouring Local Governments? The A/CEO will be required to communicate with peers to gauge the appetite for a regional approach to such assets.

## REPORT

Details of the plant currently owned and operated by the Shire is as follows:

### *Road Maintenance and Construction*

- Graders (3)
- Loaders – medium (2)
- Bobcat/positrack (1)
- Backhoe/Loader (1)
- Minidigger (1)
- Trucks – large (3)
- Trucks – medium (2)
- Trucks – small (2)
- Roller (1)

### *Parks and Gardens*

- Tractor (1)
- Mowers (3)
- Kanga loader (1)
- Truck – small (1)

### **Effectiveness of Current Format/Operation**

Like most local governments in Western Australia, the Shire's outside workforce spends a majority of their time and the year responding to the needs of the community in the area of maintenance. Whether that's road maintenance (grading, patching, drainage etc.); mowing of ovals and parks; maintenance of recreation facilities, town streets and verges; provision of waste facilities and a whole range of other minor service provisions. Then, for a small portion of the year, construction works are undertaken using a combination of Shire employees and contractors (sealing works etc.).

Because the organisation is very much service driven it does result in the underutilisation of some plant that is only used for a specific period of the year (construction) or when there is a maintenance requirement necessitating the use of a specialised piece of plant. This is not uncommon in local governments in Western Australia. The generally accepted practice in local government in WA is that unless an item of plant is being utilised for at least one thousand (1,000) to one thousand two hundred (1,200) hours annually, it's being underutilised. Where possible, private contractors should be utilised rather than the local government purchasing and maintaining items of plant that are sitting idle for a large portion of the year. Some would argue that this level of hours is too low and clearly in private enterprise it would be much higher.

However, given that the local government is primarily undertaking a service provider role, whereby the community has an expectation that service (maintenance requests) will be dealt with fairly quickly, the unfortunate reality of meeting this expectation will be that the organisation will have some underutilised plant to allow them to respond accordingly. The alternative, should it be available, is to source the plant/equipment via a local or regional contractor and further comment is made later in the report on this matter.

Council Policy I/PM/1 'Plant – General Policy' provides guidelines relating to when various items of plant should be considered for replacement based on the age and total hours of operation. It also takes into consideration the intention of achieving a consistent annual expenditure level that allows the organisation to fund the purchases from a plant reserve fund that is replenished each year with transfers based on total annual plant depreciation. As part of a recent meeting of the Council's Heavy Plant Review Committee, the age and total hours of operation that will trigger a possible replacement of an item of plant was reviewed and increased where appropriate.

Looking at some specific plant items in regards to road construction and maintenance the following comment is made.

### **Graders**

These are very much an item of plant that generally responds to the service provision of the organisation in that during the winter months the organisation's three (3) graders are fully utilised; undertaking maintenance of gravel roads, cleaning out of roadside drains and retention of gravel shoulders on sealed roads. However, during the summer months when there is less moisture in the gravel roads one (1) grader is 'parked up' for most of the summer period, with one (1) undertaking the required road reconstruction works and then maintenance works as required.

So in effect the organisation only requires 2.5 graders to meet its annual program. However, whilst downgrading to two (2) graders would not have a major impact on the service provision during the summer months it would reduce the level of service during the winter months when three (3) graders are fully utilised. This is due to the short window of opportunity to bring gravel roads up to an high standard to allow them to cope with traffic during the summer dry period.

Options that could be considered to allow the organisation to reduce its grader numbers down to two (2), would be:

1. Utilise the engagement of a contractor to provide the additional grader maintenance works during the winter months.
2. Utilise the services of an adjoining local government, if they have the capacity or the interest, to undertake some of the winter maintenance grading or look to share the purchase of a third grader.
3. Seek to have the road construction works undertaken by contractors, rather than the organisations own plant, thus freeing up a second grader during the summer months. However, this would not address the requirement for three graders during the winter months
4. Reduce the number of graders to two (2) and the community and the Council would have to accept a lower level of service during winter (would take longer to cover the whole Shire area) and potentially during summer periods, if construction works were not contracted out.

### ***Trucks***

If the organisation is to continue to undertake the annual road construction program then the current level of trucks in the fleet would be maintained. However, should the organisation consider a move to utilise contractors for the annual road construction program, then less trucks and consequently less employees could be an outcome. The outsourcing of construction works does have some risks and some comment is provided on this risk later in the report.

### ***Minor Plant***

Minor plant like rollers, loaders, backhoe etc. are generally underutilised in the number of hours they operate each year when compared to what would be considered the optimum use or when considered from a private business perspective. However, as indicated previously, given that the local government is a service provider to its community who expect a high level of service/response, retaining some of these items of plant, whilst underutilised, is essential for the organisation to be in a position to respond in the manner and time expected by the community and when emergencies occur. The utilisation of private contractors, if available in the local area, is an option, but they are not always available when required, so again a lower level of service to the community might be the downside of moving to this scenario.

Rollers are an item of plant that can easily be hired for the very short period they are utilised each year and in recent times the rubber tyred multi-roller has been disposed of and a similar situation could occur with the flat drum roller.

Ownership and utilisation of plant is something that requires an ongoing review, especially in regards to the availability locally of specialised plant or plant items that have low annual usage by the organisation, to ensure that the most efficient and cost effective option is taken advantage of at all times.

### ***Parks and Gardens Plant***

The Parks and Gardens group is only a small team of three (3), with a casual employed during the peak periods, so the amount of plant owned and operated by the organisation in the Parks and Gardens section is relatively low (details page 2). The Kanga loader has very low annual usage (approximately 50 hours per year), however given its age and condition it's proposed that it be retained until it reaches the end of its useful life and then a decision will be made on whether a replacement is justified or a local contractor engaged when required.

Approximately 50% of the current mowing program is undertaken by a contractor and this should be reviewed on a regular basis. As the organisation becomes responsible for additional areas of POS, consideration should be given to the cost effectiveness of additional employees (which may also come with additional plant requirements) versus contractors. An ideal scenario would be to utilise the services of existing employees to undertake the maintenance of the critical and high priority areas like parks and gardens in the CBD area and potentially high use ovals and engage contractors for the remaining areas.

### ***Contract Services***

Currently the organisation engages contractors to undertake a majority of road verge slashing and spraying in the rural area, the installation of new drainage culverts and the sealing of roads during the construction period. The ongoing ownership of rollers will be reviewed with them potentially being sold off, (rubber tyred multi-roller has already been

disposed) and rollers hired as required during the construction and other periods. As previously indicated approximately 50% of the Parks and Gardens mowing is undertaken by contractors.

Two other areas where the Council could reduce its plant fleet and have the work undertaken by contractors is in regards to winter grading (reducing graders by one) and the engagement of contractors, via the tender process, to undertake the annual construction program. Whilst the tendering out of the annual construction program may initially look attractive, some caution needs to be exercised before fully endorsing the proposition, as there are a number of matters to consider, such as:

1. During periods when contractors are seeking work, due to a down turn in the economy, competitive proposals from a number of contractors can be expected.
2. However, during times of high economic activity (currently being experienced) there may be very few if any contractors interested and so the risk to the organisation is that the tenders could be in excess of the organisation's budget or there may be no interest at all from contractors to undertake the works.
3. Should the organisation decide to proceed down the path of full contract construction and disposes of its construction fleet, it could be left at the mercy of accepting whatever tendered amounts are submitted, even if it exceeds the organisation's budget, reduces the scope of the works or delays the works. It may also be forced into having to repurchase plant and equipment to allow it to undertake the construction works due to the continued lack of interest by contractors.

A number of local governments in recent times have proceeded down a path of a combination of both in-house and contractor, where some road construction works are tendered out whilst others are retained in-house. This allows a greater degree of flexibility for the organisation to be in a position to accept tenders when they are favourable to the organisation (cost is less than what the organisation can undertake the works), but also allows the organisation to complete the works when interest is low. It also reduces the likelihood of tenderers increasing their tender on the basis that they are aware that the organisation no longer has the in-house capability to undertake the works.

### ***Regional Cooperation***

As part of my recent visit to the CEO's of Albany and Denmark to discuss regional cooperation, the potential to share underutilised plant was discussed including the use of contractors for some common works like road verge slashing and spraying road sweeping etc. Both Albany and Denmark are open to consider any proposals, however there will be some challenges with the Shire of Denmark, especially in the areas of road verge slashing and spraying as their community have some very specific requirements and expectations that may negate the ability for joint contract/tender arrangements. Discussions with the local governments to the north of the Shire could also be worthy of merit in some of these areas.

Finally, the utilisation of joint tenders/quotations to engage contractors to undertake works on a regional basis has the potential risk of the local contractors being excluded or priced out of the works. The Shire of Denmark has a very strong emphasis on supporting local by utilising local contractors whenever the opportunity arises, something that this organisation will have to consider in the context of regional cooperation. Perhaps it would be more beneficial to the local economy to dispose of underutilised plant and engage local contractors where there is a supplier/contractor in the Shire and only seek to operate at a regional level when there is no local supplier/contractor.

A margin or allowance for local contractors, similar to that provided in the Regional Price Preference Policy, could be introduced (say 10-15%) to encourage and benefit the use of local contractors for the supply of goods and services and works that are below the current threshold amount outlined in the Regional Price Preference Policy.

## **CONCLUSION**

Overall the type and amount of plant owned and operated by the Shire is considered reasonable and given that the Heavy Plant Review Committee undertakes a review each year of existing plant and expected replacement timeframes, there is some rigour already built into the process.

Items of plant that are not used extensively during the year, such as rollers, Backhoe/Loader, Mini digger and Kanga loader should have a review undertaken before replacement occurs with consideration being given as to whether the item of plant is available locally and can be sourced, when required, versus the Shire owning and operating these items of plant.

The opportunity to share plant with adjoining local governments should be reviewed on a regular basis but the availability versus the level of service or potentially reduction in level of service provided to the community should be a primary consideration.

The joint tendering with other adjoining local governments, where efficient and practicable, or individual engagement of contractors for specialised services such as road verge slashing and spraying, tree pruning and mowing of parks etc. should continue to be considered versus the need to employ additional staff and plant to undertake these services.

Paul Sheedy

Acting Chief Executive Officer

20 October 2020.