

### 10.5.1 – Shire Funded Tractor for Darling Downs Residents Association (DDRA) (SJ367-2)

|  |  |
|--|--|
| <b>Responsible Officer:</b>              | Manager Waste and Fleet  |
| <b>Senior Officer:</b>                   | Chief Executive Officer  |
| <b>Disclosure of Officer's Interest:</b> | No Officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> . |

### Authority / Discretion

|           |   |
|-----------|---|
| Executive | The substantial direction setting and oversight role of the Council such as adopting plans and reports, accepting tenders, directing operations and setting and amending budgets. |
|-----------|---|

### Report Purpose

The purpose of this report is to provide options to replace the existing Shire of Serpentine Jarrahdale (Shire) owned 2005 Daedong DK35 tractor with a new Kioti DK4810 tractor for use by the Darling Downs Residents Association (DDRA).

### Relevant Previous Decisions of Council

*Ordinary Council Meeting – 18 November 2024 – OCM326/11/24- COUNCIL RESOLUTION / Officer Recommendation - **extract***

*That Council:*

*2. REQUESTS the Chief Executive Officer bring a report to the 9 December 2024 Ordinary Council Meeting that provides options for replacement of the Darling Downs Residents Association tractor.*

### Background

The DDRA submitted a business case (**attachment 1**) to the Shire in February 2024 for consideration as part of the annual budget process. The capital expenditure was not approved as part of the 2024/25 budget process.

The business case highlights the ongoing works conducted by DDRA as part of the Deed for the Provision of Works in the Darling Downs Equestrian Park (DDEP) and associated funding and collaboration (**attachment 2**). The works include vegetation clearance (e.g. clearing fallen trees and branches), tilling, spraying, spreading, mowing, grading and track levelling.

The business case also highlights that due to the age of the tractor the costs of maintenance are likely to increase. Accordingly, the DDRA has reapproached the Shire to replace the 19-year old tractor with a new and more capable tractor.

### Contact Us

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#### In Person

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### Stakeholder Consultation

The DDRA meet with Shire representatives regularly to discuss matters pertaining to the Deed and related activities.

### Statutory Environment

Nil.

### Comment

#### Condition of Tractor and Required Maintenance



As per the business case (**attachment 1**), the DDRA (in accordance with the Deed) has maintained the current tractor using its funds and ongoing voluntary labour to maintain the DDEP area. However, this tractor is 19 years old, and various critical parts and systems are starting to fail. For example, the Master Hydraulic Control Valve (MHCV) was recently replaced at a cost of \$4,000.

The Shire conducted an in-house assessment of the existing DDRA tractor (**attachment 3**). The assessment shows pictures and highlights the issues that would require repair and maintenance. The total costs for repairs related to items listed in the assessment is \$17,952.15. This total includes \$345.05 for repair of the driver seat and the bonnet catch.

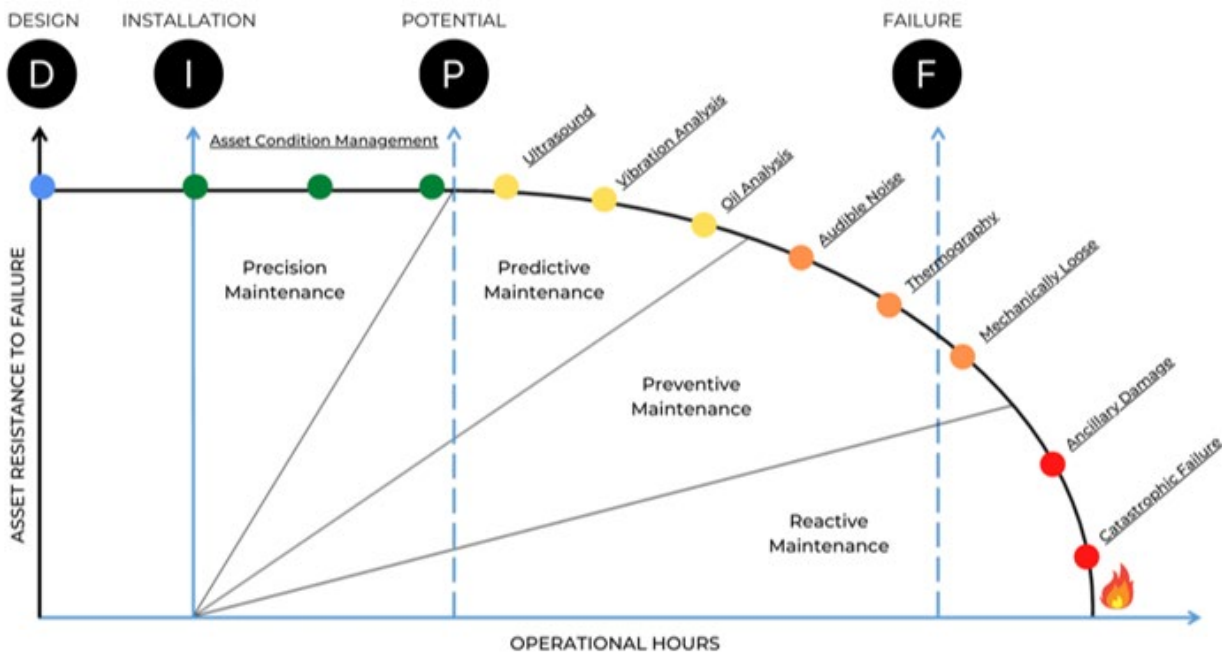
The trade in value for the tractor has been assessed at \$14,000 (incl. GST). It is anticipated that this trade in value would drop another \$2,000 by July 2025.

It is important to note that the required repairs are not true indicators of the need of a replacement. The above repairs might all be paid for; however, the repairs don't guarantee that the tractor will not break down the next day.

Reliability and the cost to keep an asset on the road are largely impacted by the operational hours and the age of the asset. The image below explains the risks related to annual fleet lifecycle and highlights the need to replace old plant. The useful life of the tractor is generally considered to be 8-10 years. After this, the risk of catastrophic failures increases significantly.



ASSET LIFECYCLE CURVE



The DDRA conducted an analysis of replacement options for the tractor and have identified that the Kioti DK4810 would be a suitable option.

As a part of this investigation a range of key tools/accessories were also costed. These tools/accessories will ensure that the replacement tractor can safely and effectively meet the work requirements. These tools/accessories are:

1. **4-in-1 bucket** - The existing tractor has a square bucket. The new bucket will allow for grabbing materials (e.g. branches, etc.), manipulating trees/branches more effectively and stacking materials more readily for mulching by the Shire. Consequently, this bucket will remove the need for a great deal of manual handling and make these operations quicker and safer.
2. **Pallet Forks** - Pallet forks will also need to be included to support moving materials and equipment.
3. **Canopy** - The current tractor has a sun/safety canopy. This canopy helps reduce the risks of objects falling on the operator (e.g. overhanging branches) and provides some shade for the operator to reduce skin cancer risks. A similar canopy has also been recommended for the replacement tractor.
4. **PTO & Three Point Linkage** - A rear Power Take-Off (PTO) will be essential to ensure that existing equipment, such as the flail mower, can be operated. A standard Category 1 three-point linkage (3PL) will also be essential to allow other equipment, such as the grader, to be utilised.



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## 10.5.1 – Shire Funded Tractor for Darling Downs Residents Association (DDRA)

The Shire received the attached quote from Western AG Pty Ltd (**attachment 4**) for the purchase of the Kioti DK4810 tractor and parts along with the trade-in price for the existing Daedong DK35 tractor. As per the quote the changeover price would be \$36,950 (incl. GST). The new tractor and parts have been quoted at \$50,950 (incl GST).

### DDRA Deed Provisions

The Shire has a Deed with the DDRA which outlines the relationship between the two parties. Clause 9.2 of the Deed stipulates that the Shire will supply a second-hand tractor and an industrial mower for DDRA to use and also states that DDRA will be responsible for operation and maintenance of both of these items of equipment. This Deed formalised a previous ad hoc arrangement.

The Deed however does not contemplate the replacement or renewal of the tractor. Nor has the tractor been considered as part of the Shire's Plant Replacement Program. Hence its replacement has not formally been considered previously. It is proposed this aspect of the Deed be reviewed between DDRA and the Shire.

The Deed needs to be updated and agreed to between the parties to contemporary asset management practises. Changes to Work Health and Safety legislation also needs to be reviewed and responsibility resolved within the Deed, particularly in terms of volunteers, to ensure legislative compliance.

### Value proposition for the Shire

Excerpt from the DDRA business case (**attachment 1**)

*In 2005, the Shire of Serpentine Jarrahdale purchased a Daedong DK35 tractor and loader for use by the DDRA. This tractor was provided so the DDRA volunteers could conduct work within the DDEP on behalf of the Shire. Notably, the finance used to purchase this tractor was predominantly supplied from DDRA funds provided by the developers when the Darling Downs Equestrian Estate (DDEE) was established.*

*The tractor has been used widely within the DDEP for vegetation clearance (e.g. clearing fallen trees and branches), tilling, spraying, spreading, mowing, grading and track levelling. Consequently, it has been an essential tool that has allowed the DDRA to bring the entire 76 hectares of the DDEP under high-quality management.*

*This effort means that the Shire's workload in this area is minimised.*

It is widely acknowledged that the DDRA is maintaining the DDEP to a high standard beyond what the Shire would typically provide. The voluntary effort delivers a financial benefit to the Shire and the community. The business case highlights that:

*During the last financial year (between 1 July 2023 and 23 January 2024), the DDRA provided more than 1,300 hours of effort to maintain and manage the DDEP. If the Shire had to do his work, it would have cost us over \$103,000.*

*Similarly, during the 2022/23 FY, DDRA volunteers supplied more than 2,254 hours of effort. In practical terms, these tasks would have cost the Shire more than \$178,069 in personnel costs alone.*

It is anticipated that in actual terms the cost of labour and plant use is higher than \$100 per hour for the Shire. Thus, the annual operating costs for the same level of maintenance would be closer to \$230,000 per annum.



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## 10.5.1 – Shire Funded Tractor for Darling Downs Residents Association (DDRA)

Therefore, if the Shire is intending to continue with this arrangement, it is being recommended that the Shire consider replacing the tractor with a newer more capable version, so that the DDRA can continue the good work more efficiently, saving the Shire in time and labour.

Another option is that the Shire undertakes the repairs identified now for approximately \$18,000 and considers the replacement of the tractor as part of the 2025/26 FY budget process along with all other plant requests. Officers are however concerned that the repairs do not guarantee the tractor will remain useful until the new financial year and the value of the tractor will continue to reduce. Therefore Officers consider that if Council is likely to replace the tractor at anytime it is recommended to do so now.

### Options

#### Option 1

That Council:

1. APPROVES the replacement of the 2005 Daedong DK35 tractor being used by the DDRA with a new Kioti DK4810 tractor or similar model and accessories for use of and maintenance by the DDRA.
2. APPROVES the following budget variation:

| Account Number       | Type                      | Account Description  | Debit (\$ incl. GST) | Credit (\$ incl. GST) |
|----------------------|---------------------------|--|----------------------|-----------------------|
| 6300-80510-6600-0000 | Increase Expenditure      | Replacement DDRA Tractor – Capital Purchases                                   | 50,950               |                       |
| 6300-80510-5021-0000 | Increase Trf From Reserve | Replacement DDRA Tractor – Transfer from Reserve – Light Fleet & Plant Reserve |                      | 36,950                |
| 6300-80510-4600-0000 | Increase Income           | Replacement DDRA Tractor – Proceeds from Sale of Assets                        |                      | 14,000                |

#### **Reason:**

Funds required for the purchase a replacement tractor for the Darling Downs Residents Association with anticipated proceeds from sale of the existing tractor and the balance to be transferred from Light Plant & Fleet Reserve.

3. REQUESTS the Chief Executive Officer brings a report back to Council on proposed amendments to the DDRA Deed in consultation with DDRA.

#### Option 2

That Council:

1. APPROVES the necessary repairs of the 2005 Daedong DK35 tractor being used by DDRA.
2. APPROVES the following budget variation:



Continued

## 10.5.1 – Shire Funded Tractor for Darling Downs Residents Association (DDRA)

| Account Number       | Type                      | Account Description  | Debit (\$ incl. GST) | Credit (\$ incl. GST) |
|----------------------|---------------------------|--|----------------------|-----------------------|
| 6300-80510-6600-0000 | Increase Expenditure      | Replacement DDRA Tractor – Capital Purchases                                   | 17,952.15            |                       |
| 6300-80510-5021-0000 | Increase Trf from Reserve | Replacement DDRA Tractor – Transfer from Reserve – Light Fleet & Plant Reserve |                      | 17,952.15             |

**Reason:**  
Funds required to conduct complete the repair works on the tractor for the Darling Downs Residents Association to be transferred from Light Plant & Fleet Reserve.

3. CONSIDERS the replacement of the DDRA tractor as part of the 2025/26 FY budget process.
4. REQUESTS the Chief Executive Officer brings a report back to Council on proposed amendments to the DDRA Deed in consultation with DDRA.

### Option 3

That Council OPTS to do nothing in relation to the 2005 Daedong DK35 tractor being used by DDRA at this time.

Option 1 is recommended.

### **Conclusion**

The business case stipulates DDRA's role in upkeep of the DDEP and the good work being done. It also mentions the age of tractor and increase in repair and maintenance matters.

The 2005 Daedong DK35 tractor is past its useful life and the maintenance costs will continue to increase. The repair works from the Shire assessment are expected to cost \$17,952.15 and there is no guarantee that further work won't be required.

A replacement tractor will continue to save the Shire in operating costs and labour valued at close to \$200,000 per annum. If the tractor was being used by Shire staff the replacement would be overdue. Unfortunately, there is no suitable second-hand replacement within the Shire's fleet, which would be in keeping with the terms of the Deed with DDRA. Therefore, Council approval for the replacement of the tractor with a new one has been recommended as Option 1, along with a future report to Council on required amendments to the Deed that reflects the current operating environment of the DDRA.

### **Attachments (available under separate cover)**

- **10.5.1 - attachment 1** – Business Case – Purchase of New Tractor for DDRA (IN24/28381)
- **10.5.1 - attachment 2** – Deed for the Provision of Works in the Darling Downs Equestrian Park (E22/5782)



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## 10.5.1 – Shire Funded Tractor for Darling Downs Residents Association (DDRA)

- **10.5.1 - attachment 3** – Condition Assessment – DDRA Daedong DK35 tractor (IN24/28382)
- **10.5.1 - attachment 4** – Quote for replacement DDRA Kioti DK4810 Tractor (IN24/28383)

### Alignment with our Council Plan 2023-2033

|   |
|---|
| <b>Thriving</b>   |
| 4. Ensure sustainable and optimal use of Shire resources and finances                                   |
| <b>Liveable</b>   |
| 3. Preserve and enhance our natural places, parks, trails and reserves                                  |
| <b>Connected</b>  |
| 3. Empower the community to engage with the Shire and collaborate on matters that are important to them |

### Financial Implications

The above proposed course of action will require a formal budget variation. Accordingly, approval is sought for the following budget adjustments for the reasons specified:

| Account Number       | Type                      | Account Description  | Debit (\$ incl. GST) | Credit (\$ incl. GST) |
|----------------------|---------------------------|--|----------------------|-----------------------|
| 6300-80510-6600-0000 | Increase Expenditure      | Replacement DDRA Tractor – Capital Purchases                                   | 50,950               |                       |
| 6300-80510-5021-0000 | Increase Trf From Reserve | Replacement DDRA Tractor – Transfer from Reserve – Light Fleet & Plant Reserve |                      | 36,950                |
| 6300-80510-4600-0000 | Increase Income           | Replacement DDRA Tractor – Proceeds from Sale of Assets                        |                      | 14,000                |

#### Reason:

Funds required for the purchase a replacement tractor for the Darling Downs Residents Association with anticipated proceeds from sale of the existing tractor and the balance to be transferred from Light Plant & Fleet Reserve.

It is anticipated that the enabling the DDRA to continue to provide the voluntary maintenance work at the DDEP will ensure continued savings in time and labour to provide the same services.



**Risk Implications**

Risk has been assessed on the Officer Options:

| Officer Option | Risk Description   | Controls   | Principal Consequence Category      | Risk Assessment |             |             | Risk Mitigation Strategies (to further lower the risk rating if required) |
|----------------|--|--|-------------------------------------|-----------------|-------------|-------------|---|
|                |  |  |                                     | Likelihood      | Consequence | Risk Rating |   |
| 1              | Unbudgeted costs applicable for replacement of the tractor resulting in lower funds available for other activities.              | Purchase using reserves and/or realised savings ahead of schedule. | Financial                           | Almost Certain  | Minor       | SIGNIFICANT | Update budgets with other realised savings.                               |
| 2              | Age of tractor resulting in other major repairs not budgeted for.  | Choose Option 1  | Financial                           | Likely          | Minor       | MODERATE    | NA  |
| 2              | Added costs to replace tractor in 2025/26 with lowered value of existing tractor.  | Choose Option 1  | Financial                           | Almost Certain  | Minor       | SIGNIFICANT | NA  |
| 3              | Strained relationship with the DDRA, potentially resulting in additional works for the Shire and ongoing stakeholder management. | Choose Option 1  | Strategic Stakeholder Relationships | Likely          | Moderate    | SIGNIFICANT | NA  |





Continued

## 10.5.1 – Shire Funded Tractor for Darling Downs Residents Association (DDRA)

**Voting Requirements:** Absolute Majority

### Officer Recommendation

**That Council:**

- 1. APPROVES** the replacement of the 2005 Daedong DK35 tractor being used by the DDRA with a new Kioti DK4810 tractor or similar model and accessories for use of and maintenance by the DDRA.
- 2. APPROVES** the following budget variation:

| Account Number       | Type                      | Account Description  | Debit (\$ incl. GST) | Credit (\$ incl. GST) |
|----------------------|---------------------------|--|----------------------|-----------------------|
| 6300-80510-6600-0000 | Increase Expenditure      | Replacement DDRA Tractor – Capital Purchases                                   | 50,950               |                       |
| 6300-80510-5021-0000 | Increase Trf From Reserve | Replacement DDRA Tractor – Transfer from Reserve – Light Fleet & Plant Reserve |                      | 36,950                |
| 6300-80510-4600-0000 | Increase Income           | Replacement DDRA Tractor – Proceeds from Sale of Assets                        |                      | 14,000                |

**Reason:**

Funds required for the purchase a replacement tractor for the Darling Downs Residents Association with anticipated proceeds from sale of the existing tractor and the balance to be transferred from Light Plant & Fleet Reserve.

- 3. REQUESTS** the Chief Executive Officer brings a report back to Council on proposed amendments to the DDRA Deed in consultation with DDRA.