
6th November 2006

REPORT BY DIRECTOR OF TECHNICAL SERVICES

FLEET MANAGEMENT

1 Purpose of Report

- 1.1 To update the members of the Trading Operations Sub-Committee on the performance of Fleet Management for the period 1st April to 30th September 2006.

2 Business Performance & Financial Position

- 2.1 Based on the information available to 30th of September, a year end surplus out-turn of £43K is forecast. This surplus forecast is comfortably ahead of the revised budget expectation which was for a surplus of £19K in 2006/07.
- 2.2 We are expecting total income to fall some £21K short of the budgeted value. The major change is external income which has dropped by £69k. This has arisen due to our current manpower shortage, which has meant that less capacity is available to accept work from external customers such as Scottish Water, particularly at our Newtown depot. The overall shortfall in income will be more than offset by reduced expenditure particularly for employee costs down by £33K on budget, and also a reduction of £29K in third party payments. The net forecast result is a £24K positive variance in expected surplus relative to the approved budget of £19K.
- 2.3 Up to the 30th of September 2006 Fleet generated a total of 18,760 productive hours. This was an increase of 13.6% over the same period in 2005/06 when 16,503 productive hours were generated. As highlighted under Issues & Risks, Fleet Management is still suffering pressure on its productive capacity due to the loss of qualified fitters. In the coming quarters, this is likely to result in a reversal of the trend established last year and evident in the first quarter of this year, when more work was undertaken in-house with contractor costs as a result dropping.

3 Issues & Risks

3.1 Productive Capacity

As highlighted previously the ability to attract and retain skilled workers such as fitters continues to be an issue for Fleet. The recruitment drive undertaken over the last two months to try and attract new workers has been unsuccessful and produced no appropriately qualified and experienced candidates. This shortage of qualified fitters appears to be also affecting our private sector competitors who have been quoting lengthy waiting times for some repair work we wanted to sub-contract, citing restricted capacity as the main reason. There is a risk that the restricted maintenance capacity may pose a risk to some front line services if key items of plant and vehicles cannot be maintained and repaired quickly and time is lost with vehicles queuing awaiting repair.

3.2 **Absence & Sickness**

As the issue of maximising productive capacity is so important, we are closely monitoring on a monthly basis our rates of absence and sickness within Fleet. The results for calendar year 2006 to date are shown on the chart in the attached appendix 2. These rates have increased again recently due to a further employee having been signed off work as long-term sick.

3.3 **Apprentices**

In view of the difficulties experienced in attracting and retaining skilled workers we will be placing increased emphasis on the long term training of new apprentices as the main means of ensuring that we have sufficient future productive capacity. This will be particularly important means for addressing the longer term issue of the high age profile of our existing workforce in Fleet which is current 54 years. We will now be actively looking to recruit new applicants for apprenticeship places within Fleet.

4 **Financial Implications**

4.1 The Fleet management trading operation is forecasting a surplus of £43K in 2006/07. Full analysis of this forecast can be seen in Appendix 1.

5 **Consultation**

5.1 The Heads of Corporate Finance, Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report.

6 **Equality**

6.1 It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

7 **Environment**

7.1 There are no environmental issues directly associated with this report.

8 **Risk Commentary**

8.1 The retention of skilled fitters and our productive capacity poses no immediate financial risks in the current financial year, however, looking ahead, this remains the main medium term risk.

9 **Recommendations**

9.1 I recommend that the Trading Operations Sub-Committee:

a) agree the contents of this report

b) approve the projected outturn as revised approved budget.

Approved by

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| Name | Designation | Signature |
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Author(s)

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Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference:

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