

**15<sup>th</sup> January 2007**

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**REPORT BY DIRECTOR OF TECHNICAL SERVICES**

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**FLEET MANAGEMENT**

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**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 1<sup>st</sup> April to 30<sup>th</sup> November 2006.

**2 Business Performance & Financial Position**

- 2.1 Fleet Maintenance is forecasting a year end surplus out-turn of £44K. This surplus forecast is comfortably ahead of the revised budget expectation which was for a surplus of £18K in 2006/07.
- 2.2 We are expecting total income to reach £3.26 million, some £80K ahead of the budgeted income value. External income remains some £76k below budget, due to an on-going restriction in our ability to accept work from external clients as a result of our current manpower shortage. The reduced external income is more than offset by a much higher than predicted internal workload, which is expected to generate £3.15 million, some £156k ahead of budget.

Expenditure is also running higher than budget and is forecast to reach almost £3.22 million by the end of the year. The net forecast result is a £26K positive variance in expected surplus relative to the approved budget of £18K.

- 2.3 Up to the end of November 2006 Fleet generated a total of 25,146 productive hours. This was an increase of 7% over the same period in 2005/06 when 23,498 productive hours were generated. Given the staffing and long-term sickness levels experienced this year, this represents a very strong performance from our workforce.

**3 Issues & Risks**

**3.1 Productive Capacity**

We have been successful in managing to recruit two new mechanics for our Newtown depot. Both of these mechanics will start work in January on a temporary 6 month contract, which will allow us time to evaluate and review their performance. A decision about offering further employment will be made at the end of this evaluation period.

Note: This an update on an on-going issue related to capacity.

### **3.2 Fuel Card System**

A new fuel card system is being introduced using the ARVAL system. This is designed to supplement existing in-house systems and to consolidate total expenditure on vehicles, fuel and plant. Instead of individual departments within SBC having different accounts with various garages these will now all be consolidated through use of the ARVAL card system. This will allow users to make purchases at a range of garages within the region and receive a monthly consolidated invoice directly to their own department. This system has been rolled-out so far in Social Work, Passenger Transport and Education with no adverse reports and will now be implemented throughout the remaining departments.

### **3.3 Fuel Storage & Management**

The issue of the costs associated with providing a complete fuel storage, management and issuing service needs to be examined. At present Fleet Maintenance provides this service to all council users without charge. However, when there are costs incurred in maintaining or replacing fuel storage or delivery equipment, these costs have to be carried by Fleet. It is proposed consideration be given to establishing a fund from the annual fuel supplier rebate, which is currently part of revenue income. This fund should be capable of being rolled-over from year to year to meet the high and variable level of costs incurred with providing the fuel storage and delivery system. This is important as the condition of the fuel tanks is deteriorating and will incur significant costs within the foreseeable future.

We would propose to consult with corporate finance on the possible options available to effectively address the on-going problem of the cost variability associated with providing the fuel storage and management service.

## **4 Financial Implications**

4.1 The Fleet management trading operation is forecasting a surplus of £44K 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**

Name	Designation	Signature
Callum Hay	Director of Technical Services	[insert signature]

**Author(s)**

Name	Designation
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**Background Papers:**

**ADD AS APPROPRIATE**

**Previous Minute Reference:**

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Collette Lamb can also give information on other language translations as well as providing additional copies.

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