

24th October 2007

REPORT BY DIRECTOR OF TECHNICAL SERVICES

FLEET MANAGEMENT TRADING OPERATION

1 Purpose of Report

- 1.1 To update the members of the Trading Operations Sub-Committee of the activities of the Fleet Management trading operation for the period 1ST of April to 31st of August 2007.**

2 Background

- 2.1** Fleet Management is a trading organisation which provides vehicle procurement, fleet management, vehicle maintenance and a repair service for SBc Contracts, and a range of other SBC departments as well as some external private clients.

3 Business Performance and Update

3.1 Workload:

There have been no further developments on the proposals made to Eildon Housing and to Borders College to undertake maintenance on their respective vehicle fleets. We are not actively pursuing either of these potential clients currently due to the on-going productive capacity restrictions caused by the loss of skilled fitters during July and August.

There have been no further losses of trained fitters in the period since the last report and our productive capacity appears to have stabilised for the time being. It is hoped that the new wage agreement which is now in place will help give a period of workforce stability and allow us to replace some of the lost capacity by recruiting additional fitters in the months ahead.

General workload in the form of Contract and Day-works will continue to be monitored closely on a monthly basis to identify any shortfalls that might arise from current capacity restrictions.

3.2 Budget:

We are forecasting a budget surplus of £17k for Fleet Management for 2007/08.

3.3 Updated Projections:

Appendix 1 shows the updated Fleet financial results agreed at the last budget monitoring round. We are expecting income to be some £181k below budget with most of this drop coming from reduced day-works repairs as a result of our capacity restrictions. We are using some additional sub-contracting work to bridge our current capacity limitations. There is an offsetting reduction against budget in our employee costs of £112k which is a result of the reduction in mechanic numbers resulting in unfilled posts. The additional costs for the rest of 2007/08 arising as a result of the

new wage agreement for our workforce will be carried by Fleet Management and are reflected in employee's expenditure projection in appendix 1. This wage agreement does not have budgetary implications in the current financial year for our council clients.

Overall appendix 1 shows that Fleet still expects to generate a Surplus of £17k in the current financial year. Although this is £8k below the budgeted target it still represents a very solid performance given the magnitude of the productive capacity issues the organisation has had to cope with over the past months.

In the projections made to year end it has been assumed that we will be able to fill at least two of the vacant fitter positions before Christmas. The situation with regard to employment levels, cost and income will be monitored closely and reported on further at future Trading Committee meetings.

3.4 Resources:

As highlighted in the last Trading Committee report resources funding is required to undertake essential depot upgrading work at the Newtown and Duns depots.

The Duns depot is suffering from major drainage, sewage and health and safety issues problems which were reported upon at the last meeting. The replacement of the underground fuel tanks and pumps to avoid future pollution issues remains a priority.

Resources are required for Phase 2 Newtown workshop upgrade involving the vehicle maintenance/fabrication workshops, the under-ground fuel tanks; workshop stores and an MOT testing facility remain on-going.

These depot resource requirements will be the subject of a forth-coming report to the Capital Management Group which will include a full costing of the requirements.

3.5 Staffing:

The level of skilled of fitters employed now appears to have stabilised at the level of 12 reported at the last Trading Sub Committee against a full establishment of 20. Following the agreement reached with HR to pay enhanced rates of just over 8% to our skilled fitters we are in the process of placing recruitment adverts and we plan to recruit a further three trained fitters and two apprentices. In the meantime, we are attempting to bridge the productive capacity shortfall through the use of overtime and sub-contracting to maintain the service to our council clients.

3.6 Training:

We are currently in the process of upgrading to the latest Release 8 version of Tranman software. In-house training is being provided by Civica to fully familiarise all users with the new features and the enhanced facilities available from this new version of the Tranman software. Final training is scheduled for the 18th and 19th of October and we plan to go live with the new version from the 19th of October.

3.7 Health & Safety:

The issues highlighted at the last Trading Committee with regard to depot safety still remain outstanding and awaiting appropriate capital investments at the Duns and Newtown depots as outlined under point 3.4. We remain aware that there continue to be potential Health, Safety and Welfare issues at both these depots which could ultimately lead to HSE prohibition notices.

There are also a number of welfare issues related to the Newtown depot office accommodation. This comprises two rented portacabins which provide basic and cramped accommodation and is remote from the workshop.

4 Financial Implications

4.1 Fleet management is forecasting the expected surplus to be some £6k below budget.

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 There are no equality issues directly associated with this report.

7 Environment

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

8 Risk Commentary

8.1 There are an on-going Health & Safety risks and welfare issues at both the Newtown and Duns depots which can only be addressed by suitable capital investments to rectify the points highlighted under sections 3.4 and 3.7 of this report.

8.2 Attracting and retaining employees and staff remains an on-going risk. The final outcome of single status is still awaited and also remains a potential risk for Fleet Management.

9 Summary

9.1 The decline in the number of fitters currently employed has stabilised at the level of 12 reported last time. It is hoped that the wage agreement reached with HR to pay a market supplement for this group of works will allow us to slowly reverse this trend by recruiting additional fitters over the coming months.

10 Recommendations

10.1 I recommend that the Executive:

(a) Agree the contents of this report

Approved by

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

Author(s)

Name	Designation

Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference: