

**10<sup>th</sup> March 2008**

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**REPORT BY DIRECTOR OF TECHNICAL SERVICES**

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**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 1<sup>st</sup> November to 31<sup>st</sup> December 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:**

Borders College have requested that SBC Fleet Management undertake all their vehicle maintenance for a trial period. The work will initially exclude cars, which are being supplied and maintained through a contract with a major manufacturer. Eildon Housing has been contacted again to confirm their intention regarding vehicle maintenance. They have now indicated that they wish SBC to provide vehicle management and maintenance of their full fleet. This will add approximately 21 vehicles and potentially increase turnover by £19K per annum. Although the contract values involved are relatively small, it is considered a positive endorsement of our Fleet Management, that both our standard of service and level of costs have been considered favourably by both of these organisations. This also fits well with public services collaborative working approach being advocated by the Scottish Government.

**3.2 Budget:**

Despite recruitment and retention difficulties earlier in the year Fleet Management has made a good recovery and is now forecasting a budget surplus of £20k 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 £147k below budget with this drop coming from reduced day-works and contract income.

There is an offsetting reduction against budget in our expenditure of £149k. Major items of note are a reduction in mechanic numbers and costs of £134k as a result of unfilled posts. Additional sub-contracting is being used to help bridge the current capacity limitations and this has resulted in a projected £33k overspend on payments to Other Bodies.

Overall appendix 1 shows that Fleet expects to generate a Surplus of £20k in the current financial year some £2k above the current approved budget of £18k.

### 3.4 Operational Issues

#### 3.4.1 Accident Reduction Scheme:

A meeting has now been held with the respective union representatives regarding the accident reduction scheme. The unions were very enthusiastic about the scheme and they were calling for it to be rolled out across the council with immediate effect. It was explained that this scheme was seen as a pilot project within Technical Services, which would only be rolled out after the pilot had been completed and the results assessed. A further meeting on this subject will be held with the unions in the near future.

Statistics are being gathered at the moment and reported by workshops, however, we still believe there are unrecorded incidents. When the unions have fully endorsed the scheme and drivers are fully instructed, this may result in an increase in the number of incidents reported.

The statistics below show the number of incidents, previously unreported through the normal insurance system, now being captured with a value of up to £1,500. In subsequent reports these will continue to be updated.

<b>Department</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan-08</b>
SBc Contracts	1	10	1	2
Environmental Services	3	3	1	1
Parks	1	1	1	1
Passenger Transport	1	2	0	2

The statistics shown below are the incidents reported through our normal insurance system:

<b>Department</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan-08</b>
SBc Contracts	6	8	10	11	22
Environmental Services	3	9	5	7	11
Parks	0	1	6	3	1
Passenger Transport	0	3	0	4	1

The number of incidents reported through the insurance system has increased very significantly in January. This was due almost entirely to the adverse weather and icy conditions experienced during the month. It does however serve to emphasize the accident risk which exists on a wider scale for the entire Council particularly in light of the risk posed by changes to the corporate manslaughter regulations coming into force in April 2008. These changes will make organisations, including Councils, liable as a corporate body for accidental deaths where the organisation is deemed to be negligent.

#### 3.4.2 Fuel

Fuel prices have maintained the high level of prices reached in the final quarter of 2007 with no sign of any sustained reduction in prices. By way of illustration, the fuel price movements for DERV since January 2007 have been plotted and are shown in Appendix 2. It should also be noted that a further 2 pence per litre increase in fuel duty is scheduled from April 2008, which will further add to the fuel price pressure.

### 3.5 Staffing

Two new fitters started at the Newtown workshop in December 2008 and had an immediate beneficial impact providing much needed support to our existing workshop team.

Two apprentices also started work at the Newtown and Duns workshops in January 2008.

### **3.6 Training**

No new issues to report

### **3.7 Health & Safety**

The Single Status arrangements are not currently applicable to our mechanics who are classified as Craft workers. The position is being reviewed by HR.

Sickness and Absence levels among our mechanics ran at 1.9% during November and December.

For the position regarding accident levels during this period see details in chapter 3.4.1 of this report

## **4 Financial Implications**

4.1 Fleet management is forecasting the expected surplus to be some £2k above the current approved budget of £18k.

## **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 is a potential risk of litigation / 3<sup>rd</sup> party claims if the Council does not have an effective accident reduction / driver training scheme in place for occupational drivers.

8.2 The risk of staff losses has been partially mitigated by the recent recruitment initiative.

## **9 Summary**

9.1 The forecast surplus is £2,000 above budget

9.2 The accident reduction scheme has been temporarily delayed due to difficulties in arranging union meetings.

9.3 Fuel cost pressure has reduced slightly but we will continue to monitor prices closely

9.4 Two new plant fitters have now started at the Newtown workshop.

## **10 Recommendations**

**10.1 I recommend that the sub committee:**

**(a) Agree the contents of this report**

**(b) Approve the projected outturn as the revised approved budget.**

**Approved by**

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

**Author(s)**

Name	Designation
John Martin	Fleet Manager

Background Papers:

Previous Minute Reference: