

**23<sup>rd</sup> June 2008**

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**REPORT BY DIRECTOR OF TECHNICAL SERVICES**

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**FLEET MANAGEMENT TRADING OPERATION**

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**1 Purpose of Report**

- 1.1 To update the members of the Trading Operations Sub-Committee on the 2007/08 financial year outturn of the Fleet Management trading operation and an update on current issues for 2008/09.**

**2 Matters Arising from previous Trading Sub Committee**

- 2.1 There are no matters arising.

**3 Background**

- 3.1 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.

**4 Business Performance and Update**

**4.1 Workload:**

The future workload position is intrinsically linked to the level of demand from our main client SBc Contracts, who provide approximately 62% of our day-works income. Any downturn in the plant and vehicle workload of SBc Contracts would be reflected within the future income stream of Fleet Management. The future workload of Fleet Management is being monitored closely due to a number of concerns SBc Contracts have about the 2008/09 market outlook, which are discussed in more detail in the SBc Contracts submission to this committee.

**4.2 Budget :**

In addition to the possible reduction in income arising from SBc Contracts, as highlighted under point 4.1, the continued increase in fuel prices remains a source of concern and a significant budget pressure.

**4.3 Review of 2007/08:**

Appendix 1 of this report summarises the year-end outcome position for Fleet Management and provides an analysis of the variations between the various items of income and expenditure. Fleet generated a Surplus of £23k in 2007/08. This was slightly ahead of the forecast value of £19k the Final Approved Budget for Fleet Management.

Additional income of £197k was earned as a result of a higher than expected level of van hires £126k and additional day-works income of £60k.

Transport related expenses were also higher than planned with an increase of £93k

being incurred as a direct result of the increased level of externally hired vans.

The Fleet Management income overall increased by 6.0% in 2007/08 to £3.4 million.

Fleet internal productive hours in 2007/08 were 34,590 a drop of almost 14% on the 40,098 productive hours generated in 2006/07. This was due to the loss of skilled fitters experienced during the year that could not be fully replaced. The internal chargeable day-works hours and the contract hours generated both decreased in 2007/08 as a result of our productive capacity shortfall arising from the lack of skilled fitters. This was partially off-set by an increase in the work being contracted out to external service providers.

#### **4.4 Resources & Operational Issues:**

##### **4.4.1 Fuel :**

Fuel prices have further increased above the very high levels reached in the final quarter of 2007, with no sign of any reduction in prices on the horizon. By way of illustration, the fuel price movements for DERV and Gas Oil since January 2007 have been plotted and are shown in Charts 1 and 2. This is an update on the fuel pricing information included with the Fleet Trading Sub Committee report of 10th March 2008. The charts show how these costs have continued to spiral upwards. This places pressure on the budgets of all fuel users within SBC. DERV has increased by over 21% and Gas Oil by over 42% since October of 2007.

##### **4.4.2 Accident Reduction Scheme :**

The accident reduction scheme is now being rolled-out to the various departments within Technical Services initially as a pilot scheme. A programme of briefing the workforce about this scheme and its objectives is also currently being undertaken. It is planned to report on accident levels recorded throughout 2008/09 starting at the August Trading Sub Committee meeting.

##### **4.5 Staffing:**

Fleet Management are still under-resourced in terms of the number of skilled workshop fitters we have available. Fleet Management currently have 18 fitters employed of which 4 are apprentices. This is against a budget establishment of 23 fitters. However, it is not proposed to recruit any additional fitters until the SBC Contracts future workload becomes clearer.

It should be noted that there are a number of staff retirements due later this year which will need to be considered.

##### **4.6 Training :**

The training matrix for Fleet Management staff is now fully established and in place. Wherever possible we strive to take full advantage of any free training made available from the various manufacturers that we use.

##### **4.7 Health and Safety :**

Fleet Management continue to have Health & Safety meetings regularly with all staff. We continue to have an on-going issue with Fleet depot welfare at Newtown and Duns as outlined in the Trading Committee reports of 24<sup>th</sup> October and 28<sup>th</sup> of August 2007. The Duns depot is suffering from major drainage and sewage problems in the old facility. The sewage system backs-up on occasions filling the vehicle pits and preventing their use. The workshops at the Duns depot need major refurbishment to meet current health and safety requirements. The underground fuel tanks and pumps need to be replaced to avoid future potential pollution issues. These issues could ultimately lead to HSE prohibition orders that may close down depot activity.

The second phase of the Newtown depot improvements still remains outstanding. This

will involve upgrading the vehicle maintenance and fabrication workshops and the installation of above ground fuel tanks. The provision of adequate staff welfare facilities at the Newtown depot is also a key priority.

## **5 Financial Implications**

5.1 There are no financial implications as a result of this report, except as reported above.

## **6 Consultation**

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

## **7 Equality**

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

7.2 There are no rural proofing issues directly associated with this report.

## **8 Environment**

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

## **9 Risk Commentary**

9.1 There are on-going Health & Safety risks and welfare issues at both the Newtown and Duns depots which can only be addressed by suitable capital investments. These have the potential to incur future HSE prohibition orders.

## **10 Future Activities**

10.1 Discussions are underway with fuels suppliers about purchasing fuel with additional additives, with the aim of further improving the MPG we achieve and reducing our carbon footprint.

10.2 Fleet Management are also in discussions with various lubricant suppliers about the range of products they can offer Scottish Borders Council with the aim of trying to increase vehicle service intervals and reducing workshop visits.

10.3 Fleet Management will shortly be taking a 3.5 ton electrical parks demonstration vehicle from Smiths Electrical to evaluate for possible future use. Fleet Management also intend to acquire an electrical Smart car demonstrator again for evaluation purposes.

## **11 Summary**

11.1 Fleet Management generated a surplus of £23k during 2007/08 which was £4k above the final revised budget of £19k.

11.2 The continued increase in fuel prices remains a source of concern and a significant budget pressure.

11.3 The future workload position is intrinsically linked to the level of demand from our main client SBc Contracts. Any downturn in the plant and vehicle workload of SBc Contracts would be reflected in the future income stream of Fleet Management.

## **12 Recommendations**

**12.1 I recommend that the Group:**

**(a) Notes the contents of this report.**

(b) Approve the outturn as the final position for the Fleet Management Trading Organisation in 2007-08.

**Approved by**

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

**Author(s)**

Name	Designation
John Martin	Fleet Manager

**Background Papers:**

**ADD AS APPROPRIATE**

**Previous Minute Reference:**