

**EAST AYRSHIRE COUNCIL  
DEVELOPMENT SERVICES COMMITTEE – 9<sup>th</sup> MARCH 2005**

**TRANSPORT SERVICES – PROCUREMENT ARRANGEMENTS AND  
TRANSPORT SERVICES UNIT BUSINESS PLAN**

**Report by Executive Director of Development and Property Services**

**1 PURPOSE OF REPORT**

- 1.1 To update the Committee on current procurement arrangements for Transport Services and to seek approval for the Transport Services Business Plan for 2005/2006.

**2 BACKGROUND**

- 2.1 The Transport Services Unit provides full vehicle maintenance services for most of the vehicles owned by the Council or operated by the Council on finance lease arrangements. (A few vehicles based in the southern area are currently maintained externally by a private contractor). The Unit also provides a range of fleet management services, including administration of licences, ensuring compliance with the terms of the Council's "O" vehicle licence (required for all vehicles over 3.5 tonnes), service and safety inspection scheduling, administration of insurance claims, vehicle driver assessment, driver awareness training and supply of fuel.
- 2.2 The Unit provides an external taxi testing service and is equipped to carry out MOT testing. It operates from a depot at Crookedholm. Fuel is also supplied at the Council Offices in Lugar and the Roads Depots at Underwood and Gauchalland.

**3 DEVELOPMENTS OVER THE LAST YEAR**

- 3.1 In previous years major changes have been introduced to improve levels of productivity in the maintenance services to the point where the Unit can demonstrate that it is competitive with alternative providers.
- 3.2 During the last year significant progress has been made in developing fleet management services, working with client departments to reduce the average age of vehicles from 5-6 years to 3-4 years. Improved arrangements have also been agreed for vehicle hire, driver supervision and fuel supply.
- 3.3 A contract has been entered into with Ayrshire & Arran Health Board to maintain its vehicle fleet (86 vehicles including trailers) and to supply hire vehicles to Crosshouse Hospital.
- 3.4 The appointment of a Fleet Care Officer is also starting to have an impact on driver awareness. Many deviations from safe driving were not highlighted in the past and it is hoped that work of the Fleet Care Officer will lead to a

reduced vehicle downtime caused by poor daily checks and defect reporting, and also enable managers to manage risks associated with work place transport.

- 3.5** The unit gained external accreditation for its' quality systems.

#### **4 THE YEAR AHEAD**

- 4.1** It is expected less vehicles will require maintenance in 2005/2006 than during 2004/2005. No significant changes are proposed in maintenance operations. Through the introduction of careful vehicle category charges the unit hopes to provide savings to the Council of approximately £84,000.

- 4.2** The major developments planned for 2005/2006 will focus on fleet management services. The process of introducing new supervision and 24 hour fuel supply arrangements at Crookedholm are now complete. A further review of fleet management services will be undertaken focusing on improvements in arrangements supporting client departments in complying with legal, health and safety and insurance obligations. This will include enhanced driver support including MIDAS (Minibus Driver Awareness Scheme) training.

- 4.3** It is expected that less vehicles will be available for maintenance internally as a result of higher than expected numbers of long term hires rather than owned vehicles. It is hoped that if this trend could be reversed then this would enable the Unit to offer better value to its existing client base. Options for additional business for both maintenance and fleet management services will be pursued.

- 4.4** The South Area Contract expires 31<sup>st</sup> March 2005 and a further extension has been authorised taking the termination date to 31<sup>st</sup> March 2006. A cost/benefit analysis as part of a feasibility study will be undertaken in the current year to evaluate the facilities/resources required to allow the Business Unit to undertake this additional workload.

#### **5 BEST VALUE ASSESSMENT**

- 5.1** Maintenance services are benchmarked against independent benchmark information from the Freight Transport Association based on a survey of maintenance costs of similar vehicle fleets. This shows maintenance costs are comparable or less than in equivalent organisations. The new vehicle hire contract arrangements also provide benchmarks for total vehicle costs, financing, tyres and licences as well as maintenance. This shows that the cost of current arrangements for leasing and maintaining vehicles in-house results in vehicle operating costs which are comparable or less than private contract hire rates – in some categories of vehicles the margin is substantial.

- 5.2** Continuous improvement is built into the business planning and monthly management review arrangements.

**5.3** The business plan which has been drawn up for 2004/2005 shows a projected surplus of £15,000 at Period 10 which shows an improvement of £5,000 on the targeted surplus for the year.

**5.4** On this basis it is recommended that the continued procurement of vehicle fleet maintenance services in-house offers the Council best value.

## **6 FINANCIAL IMPLICATIONS**

**6.1** The income projections for the Transport Services Unit have been matched to budget provision within Client Departments. The business plan is based on achieving a surplus beyond the statutory return on capital required.

## **7 LEGAL IMPLICATIONS**

**7.1** There are no immediate legal implications arising from the recommendations in this report.

## **8 RECOMMENDATIONS**

**8.1** It is recommended that the Committee approves the attached business plan for the Transport Services Unit for the year 2005/2006.

**James Lavery**  
**Executive Director of Development & Property Services**

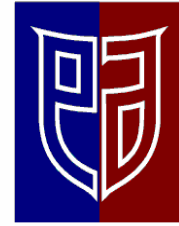
JTK/YK  
16 February 2005

## **BACKGROUND PAPERS**

**Nil**

For further information on the content of this report, contact Jim Kane, Head of Roads & Transportation on 01563 576310

**Implementation Officer: Jim Kane**



**East Ayrshire**  
COUNCIL

# **TRANSPORT SERVICES UNIT**

## **BUSINESS OPERATING PLAN**

**2005/2006**

**Prepared by**

**Approved by**

**Validated by**

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# **1 INTRODUCTION**

- 1.1** The Transport Services Unit operates as a Business Unit within the Roads and Transportation Division of the Development and Property Services Department. The Manager of the Unit currently reports to the Head of Roads and Transportation, who in turn reports to the Director of Development and Property Services and the Development and Property Services Committee.
- 1.2** The Transport Services Unit provides four distinct services:
- ◆ Fleet management services, including administration of licences, the Council's 'O' vehicle licence (required for all vehicles over 3.5 tonnes), service and safety inspection scheduling, and administration of insurance claims
  - ◆ Full vehicle maintenance services, including MOT testing
  - ◆ Fuel supply administration
  - ◆ Driver assessment and training
- 1.3** Vehicle maintenance services are provided from a depot at Crookedholm. A MOT test station facility, providing Class 4 and 7 tests and Certification of Compliance for taxis and private hire vehicles, is also provided at the Crookedholm depot. Fuel services are provided at the Crookedholm Depot, council yard at Lugar and the depot at Underwood, Cumnock.
- 1.4** Projected turnover for 2005/2006 is £1.27 million. The Unit currently employs ten engineering craftsmen, one apprentice engineering craftsman, three manual workers and eight staff. The estimated total number of vehicles serviced is 290.
- 1.5** A Client Liaison Group has been established with representatives from all client departments. It is chaired by the Director of Development and Property Services or the Head of Roads & Transportation. The Manager of the Transport Services Unit attends as required.

## **2 BUSINESS OBJECTIVES**

**2.1** The Transport Services Unit's key objectives are to:

- ◆ Achieve the statutory financial objective to break even after capital charges
- ◆ Meet the financial targets set by the Council
- ◆ To deliver cost effective fleet management and vehicle maintenance services benchmarked against competitive industry prices
- ◆ To deliver quality services complying with safety standards and regulation requirements
- ◆ To deliver services which fit with client departments' operational requirements within the constraints of competitive costs
- ◆ To provide fair terms and conditions of service which match industry standards and provide demonstrable rewards for loyalty and performance.

**2.2** The Unit aims to comply with the following operating principles in managing its business:

- ◆ Seek to continuously improve its productivity and service quality
- ◆ Ensure that senior managers and elected members can make informed decisions on service policy and direction, and that up-to-date information is provided on trading position
- ◆ Ensure that managers have effective control of resources
- ◆ Invest in systems to provide high quality, accurate, reliable, and easily understood performance information on financial and operational matters
- ◆ Set and measure performance targets on service delivery, utilising external sources as a benchmark (FTA)
- ◆ Minimise risk and uncontrollable costs
- ◆ Maintain high standards for health and safety
- ◆ Maintain a high level of information to stakeholders

### 3 KEY ACTIONS FOR CONTINUOUS IMPROVEMENT

3.1 Key areas identified for continuous improvement are:

| Key Area for Continuous Improvement                                 | Timescale to Achieve |
|---|----------------------|
| Extend Training and Staff Development                               | Continuous           |
| Review Health & Safety Policy                                       | Continuous           |
| Review Specialist Equipment and Diagnostic Systems                  | Continuous           |
| Review Stockholding and Supply of Materials                         | Continuous           |
| Extend Transport Related Training and Education                     | Continuous           |
| Investigate Additional Sources of Income                            | Continuous           |
| Review Admin Procedures for Efficiency                              | Continuous           |
| Introduce Driver Permits  | Ongoing              |
| Review Fleet Management Services                                    | Continuous           |
| Undertake programme for External Accreditation on fleet maintenance | Ongoing              |
| Review Customer Communications                                      | Continuous           |
| Review Vehicle Procurement Specifications                           | Continuous           |
| Undertake procurement review of stock holding                       | Ongoing              |

## **4 OVER-VIEW OF PERFORMANCE IN PREVIOUS YEARS**

### **4.1 FINANCIAL OBJECTIVES**

**4.1.1** The budgeted surplus for 2004/05 was set at £10,000, however the expectation is that this will be exceeded by approx £5,000. The unit has achieved surpluses of £62,645 in 2003/04, £59,423 in 2002/03, £46,000 in 2001/02 and £51,000 in 2000/2001, due to the continuous improvement policy implemented into business operations. (See Appendix 1).

### **4.2 SERVICE LEVEL AGREEMENTS / RE-CHARGING SYSTEM**

**4.2.1** The introduction of Service Level Agreements in 2000/01, which has been subtly refined in subsequent years, has created a more robust budgeting system, both for the service provider and user departments.

**4.2.2** The Business Unit has been able to demonstrate transparency, which has increased consumer confidence in the service provision.

### **4.3 TERMS AND CONDITIONS**

**4.3.1** The position of Workshop co-ordinators was introduced in November 2001, revising the personnel structure, through the transfer to APT&C grades from Engineering Craftsmen, by two staff. This transfer is the culmination of continuous dialogue between business unit management and Trade union officials.

**4.3.2** In addition, the engineering craftsmen, workshop operatives and storesperson have transferred to APT&C grades. This transfer is the culmination of continuous dialogue between business unit management and Trade union officials and since being put into operation has been of significant benefit to the unit.

**4.3.3** A Shift-working pattern has been part of business operations for five years.

**4.3.4** Single-status has reduced the manual working week from 39 hours to 37 hours per week.

## 4.4 QUALITY MONITORING

4.4.1 Quality inspection reports have been encompassed into the periodic reports.

| Inspection Category       | Year to Jan 2002 |             | Year to Jan 2003 |             | Year to Jan 2004 |             | Year to Jan 2005 |             |
|---------------------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|
|                           | Number           | Pass Rate % | Number           | Pass Rate % | Number           | Pass Rate % | Number           | Pass Rate % |
| Internal MOT pass rate    | 143              | 73          | 85               | 73          | 59               | 73          | 188              | 82          |
| External MOT pass rate    | 153              | 83          | 145              | 84          | 214              | 80          | 188              | 80          |
| HGV (V.I.) Inspections    | 60               | 92          | 44               | 93          | 64               | 90          | 52               | 95          |
| Workshop Quality Audits   | N/A              | N/A         | 111              | 90          | 104              | 100         | 89               | 99          |
| Internal File Audit       | 305              | 89          | 138              | 88          | 131              | 88          | 124              | 86          |
| South Area Contract Audit | 134              | 40          | 67               | 81          | 14               | 79          | 102              | 75          |

4.4.2 The figures in the previous table compare the quality performance of the business unit using data collated from the preceding twelve-month periods (February to January). The South Area Contact documentation audit figures have shown a decrease in performance from the previous year's figures. This is due to an increased council presence at their premises carrying out more audits. To assist with confirmation of performance and quality an independent report is compiled by the Freight Transport Association. This inspection is carried out during February.

## 4.5 VEHICLE TURNAROUND TIMES

4.5.1 The turnaround times for all council vehicles have significantly improved as a consequence of the introduction of shift working in previous years, updated diagnostic equipment and product training by manufacturers.

4.5.2 The overall vehicle availability is consistently more than 90% for all vehicle categories.

4.5.3 Servicing and repairs can now be undertaken at pre-determined times to coincide with customer needs. Inspection scheduling for car-derived vans has been extended to 6 months.

4.5.4 Human Resources within the Business Unit can now work more effectively as a direct result of this initiative, to achieve key business objectives.

## 4.6 INFORMATION SYSTEMS

4.6.1 The introduction of the bespoke I.T. systems, Tranman for the workshop and Triscan for fuel monitoring in previous financial years has amalgamated information and enabled reports to be tailored to user requirements. The system upgrade carried out during 2003 has enabled better monitoring and more effective use of the stores system.

4.6.2 Documentation of operating systems showing detailed procedures and internal control mechanisms are used for reference at various locations within the depot (workshop reception, store, administration office and manager's office) and are all compliant as per external accreditation standards.

## **4.7 FUEL SUPPLY**

- 4.7.1** Since the installation of new fuel tanks and pumps in October 2001, internal usage has significantly increased due in part to the increased security features. The projected usage for 2004/05 is approximately 920,000 litres and shows a 2.5% increase in usage from 2003/04.
- 4.7.2** An Internal Audit report, produced as part of the annual Action plan, highlighted the procedural shortcomings of council drivers obtaining fuel from external sources and the increased security levels provided by internal sources under the auspices of the Transport Services Business Unit. During 2003/04 this has been strengthened by the introduction of a fuel use policy. This practice will continue throughout 2005/06.
- 4.7.3** During the latter half of 2004 an automated entry gate was fitted to the transport services entrance and is operated via the driver fuel key, this allows a fully automated and secure 24 hour fuelling point.

## **4.8 TRAINING AND STAFF DEVELOPMENT**

- 4.8.1** A Training Needs Analysis has been compiled in conjunction with the Training and Development section of Personnel Services. This process has identified the current skill levels within the Business unit and development requirements on an individual basis for the current and successive years, promoting service efficiency.

## **4.9 HEALTH AND SAFETY**

- 4.9.1** The departmental Health and Safety officer and business unit management are continually updating procedures to ensure each employee within the business unit is managing their respective workloads in a safety conscious manner. Training courses and 'Toolbox' talks have been used as the medium to convey new 'SOP's' into working practice.
- 4.9.2** During 2004/05, a few minor incidents occurred. On each occasion, additional talks and/or training was provided to alleviate the recurrence of such incidents.

## **4.10 FLEET DEMOGRAPHICS**

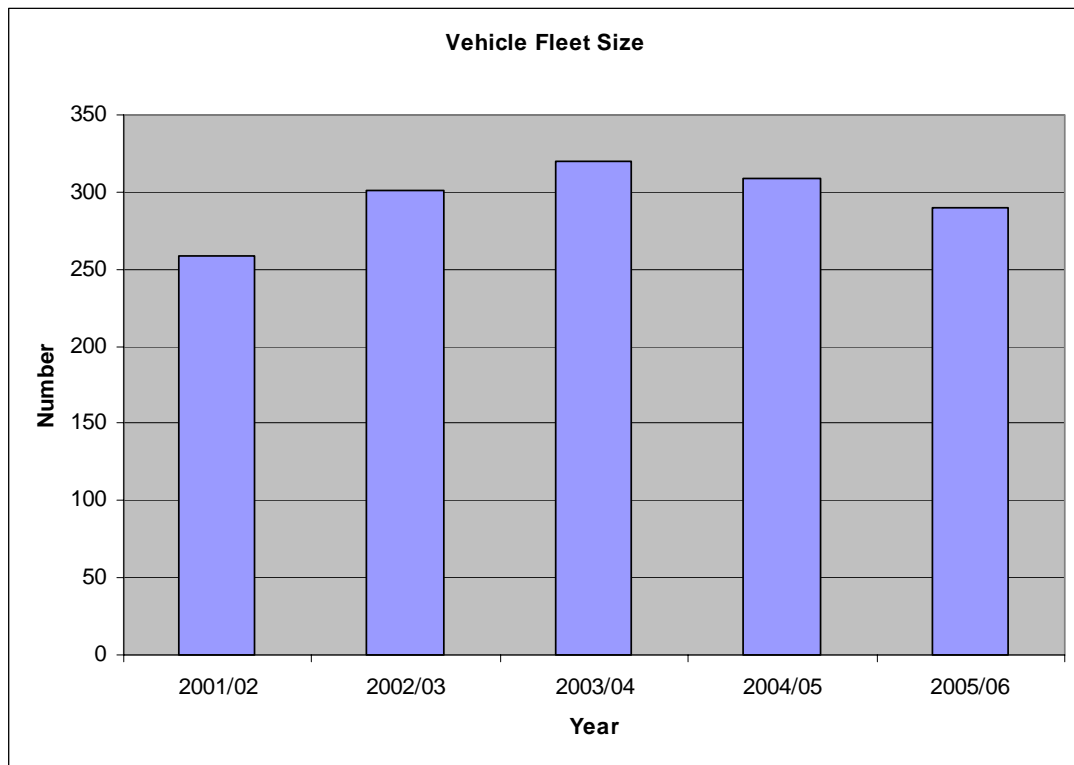
- 4.10.1** As a result of a combined commitment from Transport Services employees, the Senior Management team, Client departments, Trade Union representatives and Elected members, the fleet of vehicles operated by the council has been significantly upgraded, from the start of initial discussions 2 years ago.
- 4.10.2** The average age of a council vehicle has reduced by approximately 3.3 years from October 2000 to April 2005 (see Appendix 2) and has remained relatively constant throughout 2004.

#### 4.11 OVERVIEW OF ACHIEVEMENTS IN PREVIOUS YEAR

| Area Identified for Continuous Improvement                      | Current Status |
|---|----------------|
| Extend Training and Staff Development                           | Continuous     |
| Review Health & Safety Policy                                   | Continuous     |
| Review Specialist Equipment and Diagnostic Systems              | Continuous     |
| Review Stockholding and Supply of Materials                     | Continuous     |
| Provide Vehicle Availability Information                        | Continuous     |
| Introduction of New 24 Hour Fuel Availability System            | Complete       |
| Extend Fleet Management Services                                | On-going       |
| Establish Co-ordinated Hire Procedures                          | On-going       |
| Establish New Fuel Supply Arrangements                          | On-going       |
| Review Fleet Management Services                                | On-going       |
| Investigate Additional Sources of Income                        | On-going       |
| Undertake external accreditation of fleet management procedures | Continuous     |

## 5 BUSINESS ISSUES – ASSUMPTIONS, RISKS, THREATS AND OPPORTUNITIES

### 5.1 VEHICLE FLEET NUMBERS



**5.1.1** Council departments (especially other Business units) reduced their fleet operating core in 2000/01 and 2001/02, in a period of consolidation, focusing upon the performance of key services. This was ongoing within some Business units throughout 2003/04. In 2004 Roads Client reduced their gritter fleet resulting in an approximate loss of £24,000 to the Transport Unit's expected income. It is probable that further reviews of Roads Clients' winter maintenance programme may result in further income losses in future years.

**5.1.2** As previously highlighted in 4.10, various parties have worked in unison to review vehicle fleet requirements, which has resulted in an increase in vehicle numbers and vehicle quality. These numbers will remain relatively constant throughout 2005/06 dependant on commitment from client departments.

**5.1.3** A replacement programme was unsuccessfully re-introduced during 2004/05 with the intention of focusing communication between customer departments and the service provider (Transport Services Business unit). This policy was designed to enable the Business unit management to allocate resources more effectively and allow an enhanced stability of the operating environment. This has not yet been fully taken up by the operating units and as a result there is an increase in hired vehicles, other than Council approved seasonal hires, which could have cost effectively been overcome by purchase.

## 5.2 INCOME

5.2.1 Projected income for 2005/06 is set out in the table below:

### ESTIMATED INCOME 2005/06

|                      | Maintenance    | Management     | Total            |
|----------------------|----------------|----------------|------------------|
| Building & Works     | 119,760        | 39,231         | 158,991          |
| Community Services   | 57,279         | 8,544          | 65,823           |
| Corporate            | 2,209          | 1,406          | 3,615            |
| Education            | 11,940         | 3,515          | 15,454           |
| Housing              | 6,847          | 3,028          | 9,875            |
| On-Site Services     | 2,700          | 1,893          | 4,593            |
| Outdoor Amenities    | 50,766         | 10,409         | 61,176           |
| Refuse Collection    | 172,178        | 21,738         | 193,916          |
| Roads Client         | 124,769        | 3,272          | 128,040          |
| Roads DLO            | 157,766        | 17,466         | 175,232          |
| Social Work          | 97,551         | 18,656         | 116,207          |
| Strategic Waste Fund | 16,921         | 2,379          | 19,300           |
| St Cleansing         | 52,685         | 8,652          | 61,337           |
| St Lighting          | 21,107         | 1,784          | 22,892           |
| Technical Services   | 4,687          | 1,082          | 5,768            |
| Transport DSO        | 6,473          | 2,082          | 8,554            |
| Woodlands            | 3,770          | 1,027          | 4,797            |
| Driver Training      |                |                | 20,000           |
| MOT & Fuel Income    |                |                | 46,685           |
| Non Routine Repairs  |                |                | 70,000           |
| Tyre Income          |                |                | 63,000           |
| External Contracts   |                |                | 15,500           |
|                      | <b>909,408</b> | <b>146,165</b> | <b>1,270,758</b> |

5.2.2 Projections for net trading income from fuel are as follows -

|                      | 2001/02<br>Actual | 2002/03<br>Actual | 2003/04<br>Actual | 2004/05<br>Projection | 2005/06<br>Estimate |
|----------------------|-------------------|-------------------|-------------------|-----------------------|---------------------|
| <b>Fuel Recovery</b> | 21,511            | 24,464            | 21,036            | 22,111                | 20,000              |

5.2.3 Fuel supply is a non-core activity of the Business Unit, therefore due to the increased internal usage; the price of fuel charged to client departments is significantly less than external service providers.

|                             | 2001/02<br>Actual | 2002/03<br>Actual | 2003/04<br>Actual | 2004/05<br>Projection | 2005/06<br>Estimate |
|-----------------------------|-------------------|-------------------|-------------------|-----------------------|---------------------|
| <b>MOT &amp; Taxi Tests</b> | 18,981            | 22,292            | 24,657            | 21,117                | 21,685              |

5.2.4 Taxi test and MOT income is primarily driven by the number and age of taxis operated in the community. The charge for providing these tests has increased by 3% during the year 2004/05, and a further increase of 3% has been authorised for 2005/06.

**5.2.5** The current charging system allows both client and contractor to plan more accurately however the following areas cannot be forecasted with certainty:

- ◆ Vehicle fleets will continue to change
- ◆ Taxi tests are demand led
- ◆ Non-routine repair maintenance income is variable
- ◆ Internal Fuel Usage is variable and dependant on fleet size

### 5.3 PRICING AND BENCHMARKING AND EFFICIENCY SAVINGS

5.3.1 The Transport Services Unit is currently committed to benchmarking its' maintenance operations to surveys undertaken by the Freight Transport Association. These surveys show the following comparisons:

| Vehicle Category  | FTA Maintenance charge | Transport Services +/- |
|-------------------|------------------------|------------------------|
| Car Derived Van   | £ 803p/a               | Significantly less     |
| Transit sized Van | £1,321p/a              | Significantly less     |
| Small Tipper      | £2,807p/a              | Significantly less     |
| Large Tipper      | £3,889p/a              | Less                   |

5.3.2 Whole-life costs for the vehicle categories have also been compared to External Hires for similar vehicles. The results of this benchmark show that for all categories of vehicle, especially larger vehicles operated by the council; the current service provision provides Best Value.

5.3.3 Despite the increases in routine maintenance charges from 2004/05 to 2005/06, the Transport Unit estimates that it has made a contribution of approx £98,500 towards departmental savings. These savings have been calculated by comparing the projected maintenance charges for the year against the department budget allocations for the routine repairs and maintenance.

| Department Income  | Internal Contract Charges | Base Budget 05/06 inclusive of indexation adjustment | Saving to Council |
|--------------------|---------------------------|--|-------------------|
| Building & Works   | 158,991                   | 183,822  | - 24,831          |
| Community Services | 65,823                    | 58,149   | 7,674             |
| Corporate          | 3,615                     | 9,564  | - 5,949           |
| Education          | 15,454                    | 18,877   | - 3,423           |
| Housing            | 9,875                     | 23,724   | - 13,849          |
| On-Site Services   | 4,593                     | 7,140  | - 2,547           |
| Outdoor Amenities  | 61,176                    | 90,176   | - 29,000          |
| Refuse Collection  | 187,992                   | 196,508  | - 8,517           |
| Roads Client       | 128,040                   | 134,222  | - 6,182           |
| Roads DLO          | 175,232                   | 140,346  | 34,886            |
| Social Work        | 116,207                   | 112,277  | 3,930             |
| St Cleansing       | 61,337                    | 115,598  | - 54,261          |
| St Lighting        | 22,892                    | 22,691   | 201               |
| Technical Services | 5,768                     | 2,277  | 3,492             |
| Transport DSO      | 8,554                     | 7,546  | 1,008             |
| Woodlands          | 4,797                     | 5,913  | - 1,116           |
|                    | <b>1,030,348</b>          | <b>1,128,831</b>                                     | <b>- 98,483</b>   |

5.3.4 This highlights the ability of the Transport Unit to be as cost effective as external vehicle hire companies. Therefore an increase in commitment from service users using the internal service as opposed to sourcing externally could potentially further increase the savings to the Council as a whole.

## 5.4 QUALITY AND CUSTOMER SERVICE EXPECTATIONS

5.4.1 Client departments throughout the Council have been required to review their vehicle fleet costs to achieve improved efficiencies. This has resulted in client department fleets being continuously reviewed to meet specific performance levels. Technical improvements have also resulted in the introduction of more sophisticated and costly vehicles particularly in areas such as refuse disposal. As a consequence it has become increasingly important for client departments to maintain vehicle availability in order to provide cost effective services.

## 5.5 HUMAN RESOURCES AND SKILL LEVELS:

5.5.1 The current Human Resources levels are tabled below.

### HUMAN RESOURCES

| Staff Compliment                         | 2001/<br>02 | 2002/<br>03 | 2003/<br>04 | 2004/<br>05 | 2005/<br>06 |
|--|-------------|-------------|-------------|-------------|-------------|
| Mechanical Transport Engineers           | 12          | 11          | 11          | 10          | 10          |
| Apprentice Mechanical Transport Engineer | 1           | 1           | 1           | 1           | 1           |
| Workshop Operatives & Storeperson        | 3           | 3           | 3           | 3           | 3           |
| Management & Administration              | 5           | 5           | 7           | 8           | 8           |
| Redeployment                             | 0           | 0           | 0           | 1           | 0           |

5.5.2 The Human Resource level within the Business Unit is determined by economic factors (supply and demand) and an analysis of working hours required to comply with the Service Level Agreement. The forecast for 2005/06 shows 16,650 hours available and an estimated requirement of 14,537. Non fair wear and tear repairs and the NHS contract will utilise the remaining 2,113 hours excluding contingencies for sickness absence.

5.5.3 The acquisition of newer, more technologically advanced vehicles will require these figures to be monitored throughout the financial year.

5.5.4 An initial review of Fleet Management services highlighted driver training as a main factor in reducing the cost of accidents and associated vehicle damage. These topics are now being addressed by the Fleet Care Officer.

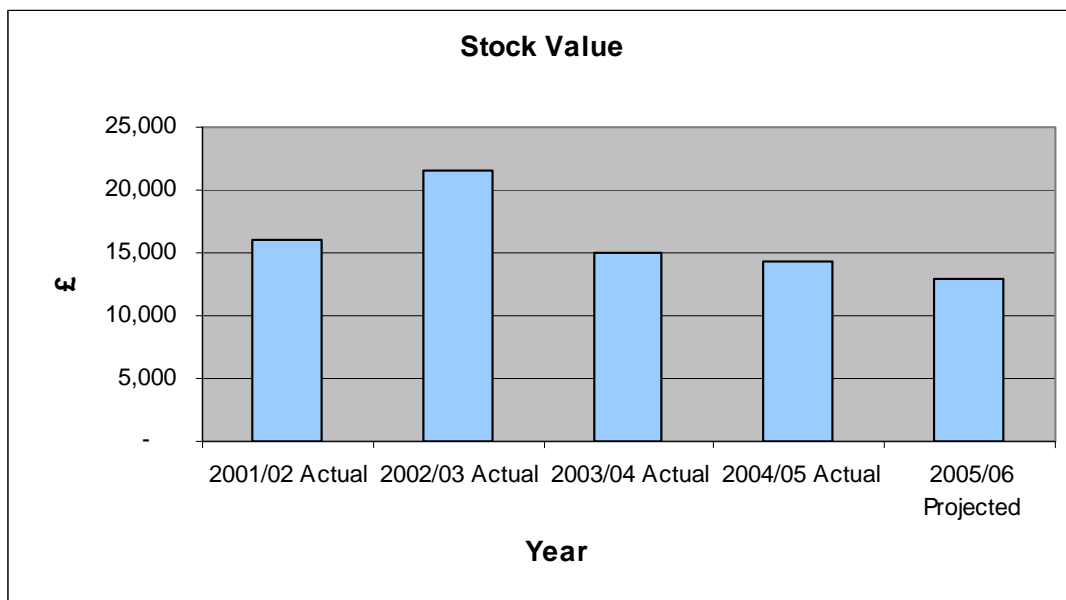
5.5.5 The review has highlighted the need to address existing staff grading issues that have arisen through additional responsibilities being undertaken as a result of the vehicle hire policy, the Fourth European Insurance Directive, the new fuel policy and procedures and the council's vehicle policy. There has also been additional work created as a result of associated fleet care duties.

5.5.6 Training has been provided in specialist skills for a number of mechanics in accordance with Training Needs Analysis undertaken in conjunction with Personnel Services. This training will be ongoing and determined by the needs associated with vehicle technology advancement.

## 5.6 ASSET MANAGEMENT

**5.6.1** Specialised equipment was renewed and/or upgraded in 2002/03 as part of a continuous review policy. The influx of more technologically advanced vehicles has increased the requirement for new testing equipment containing diagnostic expert software, in order to service these vehicles. This review is ongoing and the purchase of more sophisticated equipment will continue on an as needed basis.

**5.6.2** Stock holdings increased in 2002/03 due to the additional vehicles which required logos to be added to vehicles in line with Health and Safety guidelines. As a stock item these cannot be sourced as imprest. A further review of suppliers was carried out during 2004/05 together with a review of delivery services, which resulted in an increased stock holding of logos within the depot, reducing the initial working capital expenditure. Throughout 2005/06 it is planned to go to tender regarding all stock items with a view to reducing the stock value by increasing the level of imprest stock.



## 6 BUSINESS PROJECTIONS

### 6.1 FINANCIAL PROJECTIONS

6.1.1 The financial performance of the business unit has been set out in the Operating Statements in appendix 1.

### 6.2 QUARTERLY CASH FLOW – 2005/06

6.2.1 The Key Quarterly Cash Flow information for the financial year 2005/06 is summarised below.

|                                    | Qtr 1<br>£000 | Qtr 2<br>£000 | Qtr 3<br>£000 | Qtr 4<br>£000 |
|------------------------------------|---------------|---------------|---------------|---------------|
| <b>Opening Surplus/(Deficit)</b>   | <b>0</b>      | <b>(61)</b>   | <b>(64)</b>   | <b>(46)</b>   |
| <b>Quarterly Income</b>            |               |               |               |               |
| Charges to Clients                 | 189           | 378           | 284           | 379           |
| Other Income                       | 6             | 13            | 10            | 13            |
| <b>Total Income</b>                | <b>196</b>    | <b>391</b>    | <b>293</b>    | <b>392</b>    |
| <b>Quarterly Expenditure</b>       |               |               |               |               |
| Labour                             | 140           | 184           | 138           | 136           |
| Materials                          | 63            | 101           | 76            | 88            |
| Sub Contractors                    | 19            | 31            | 23            | 27            |
| Transport                          | 8             | 10            | 8             | 8             |
| Capital Charges                    | 0             | 0             | 0             | 10            |
| <b>Quarterly Operating Surplus</b> | <b>(35)</b>   | <b>65</b>     | <b>49</b>     | <b>123</b>    |
| DSO Overheads                      | 25            | 68            | 31            | 36            |
| Central Overheads                  | 0             | 0             | 0             | 31            |
| <b>Closing Surplus/(Deficit)</b>   | <b>(61)</b>   | <b>(64)</b>   | <b>(46)</b>   | <b>10</b>     |

6.2.2 The key assumptions on which the forecasts are based are:

- ◆ Income projections based on projected vehicle numbers
- ◆ Forecast of income from taxi tests based on current year – this will also be demand led
- ◆ Projected Fuel income has been outlined previously in Section 5.2.

### **6.3 PERFORMANCE TARGETS AND MONITORING**

**6.3.1** A 'balanced scorecard' approach has been used to draw up a broader set of Performance Indicators.

### **6.4 FINANCIAL PERSPECTIVE**

**6.4.1** A financial monitoring report will be prepared for each four week accounting period. This report will show the following:

- ◆ Income achieved in comparison to budget
- ◆ Income per vehicle category compared to projections
- ◆ Overall Income and Expenditure

### **6.5 CUSTOMER PERSPECTIVE**

**6.5.1** Customers rely on the Transport Services Business Unit to form an integral part of their business, based upon:

- ◆ Information on estimated repair times
- ◆ Vehicle availability
- ◆ Condition of vehicles leaving garage

### **6.6 INTERNAL BUSINESS PERSPECTIVE**

**6.6.1** The key areas of the business, which must be monitored constantly, in order to form a framework from which to formulate continuous improvements, are:

- ◆ SLA expenditure
- ◆ Expenditure by vehicle category and age group compared to budget
- ◆ Quality performance indicators
- ◆ Repair times compared to Industry standards
- ◆ Supplier invoice payment times

### **6.7 LEARNING AND HUMAN RESOURCES PERSPECTIVE**

**6.7.1** Management must ensure training and staff development is monitored in order to introduce technology improvements within the business unit. Elements of the business which indicate progressive performance are:

- ◆ Training Plan
- ◆ Training in the use of specialist equipment
- ◆ Absences and Industrial Injuries
- ◆ Use of Sub-contractors
- ◆ Innovation programme

## **7 BUSINESS DEVELOPMENT STRATEGY**

**7.1** The Unit is working to a 6–stage strategy for continuous improvement.

- (1) Delivery of competitive services
- (2) Continuation of Service Level Agreements and simplified charging arrangements.
- (3) Improved quality and customer services
- (4) Improved vehicle availability and fleet quality.
- (5) Improve operational indicators for council vehicles
- (6) Develop Fleet Management services

Items (1) to (4) have been achieved in 2001/02, with significant developments towards achieving items (5) and (6) made during 2002/03. Over 2004/05 continuous improvements were made with items (5) and (6) but due to ever changing legislation any improvements are only temporarily satisfactory. It is necessary throughout the coming year to adapt and improve as required.

**7.1.2** The activities Fleet management will be focusing on are:

- ◆ Complete the introduction of Fuel and Hire Procedures and Driver Permits
- ◆ Legislative compliance
- ◆ Insurance requirements
- ◆ Driver support

## **7.2 QUALITY AND CUSTOMER SERVICES**

**7.2.1** The continuous improvement policy adhered to by the Business unit ensures enhanced quality and customer services. The introduction of a vehicle reception area within the depot has improved customer services and become the focal point of all communications to and from the Business unit.

**7.2.2** The refurbishment enables the Unit to provide:

- ◆ Improved quality assurance for both vehicle maintenance and fleet management
- ◆ Better customer information to assist in budget control and operational fleet management

## **7.3 VEHICLE AVAILABILITY AND FLEET UPGRADING**

**7.3.1** The introduction of monitoring reports and targets of vehicle availability across all departments, together with increased value for money from transport costs aids the:

- ◆ Improvement of service scheduling and control of vehicle turn round times within the depot
- ◆ Modernisation of the fleet to improve reliability and reduce maintenance costs

- ◆ Introduction of more fuel efficient vehicles across the Council
- ◆ Reduction in vehicle procurement costs, which constitute the biggest cost element in fleet operations

**7.3.2** Achievement of this phase in the continuous improvement strategy requires full collaboration between the Transport Services Unit and client departments.

#### **7.4 EXTERNAL BUSINESS**

**7.4.1** The South Area contract expires on the 31<sup>st</sup> March 2006. A Cost/Benefit analysis as part of a feasibility study will be undertaken in the forthcoming year, to evaluate the current contract and resources required, to allow the Business unit to undertake the additional workload in an efficient and effective manner.

**7.4.2** Preliminary communications with other local public bodies, have highlighted the potential for additional external services being undertaken by the Business unit. Currently the N.H.S have 85 vehicles under contract repair to the Transport Services Unit. The Unit are actively seeking further external contracts within the public sector.

## **8 OPERATIONAL ISSUES FOR ACTION**

### **8.1 QUALITY AND CUSTOMER SERVICES**

**8.1.1** The following areas have been identified for consideration:

- ◆ Development of current Performance Indicators
- ◆ External Accreditation Initiative

### **8.2 MANAGEMENT SERVICES**

**8.2.1** Improved and upgraded reporting systems will focus on customer needs and facilitate decision making to ensure value for money for the council. The quality and scope of the improved systems will promote transparency within the Business unit.

### **8.3 HEALTH AND SAFETY**

**8.3.1** Health and Safety policy and procedures will be continually updated and improved.

### **8.4 TECHNICAL IMPROVEMENTS**

**8.4.1** Innovation and improvements to current operating equipment is a continuous process. The Business unit will continue to evaluate new equipment and work practices to provide a more efficient service to customers.

## **9 PROCUREMENT AND BEST VALUE**

- 9.1.1** The necessary procurement methods as defined by the Council's Procurement Department have always been employed by the Transport Services Unit as it has proved to be the most efficient process to ensure best value.
- 9.1.2** Throughout 2004/05 a review of all purchased items has been carried out in accordance with the Council's Standing Orders and Procurement strategy. Where there is any indication that a transaction may not comply fully with the European Procurement Directive, the procurement strategy of the Council's standing orders, they will be presented to the Procurement section for compliance. This will be completed where necessary within the next six months.