

**EAST AYRSHIRE COUNCIL
DEVELOPMENT AND PROPERTY SERVICES 9th MARCH 2006**

**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 2006/2007.

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 that approximately the same quantity of vehicles will require maintenance in 2006/2007 as during 2005/2006. 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 £82,700.

- 4.2** The major developments planned for 2005/2006 that focused on fleet management services will continue throughout 2006/2007. The process of introducing new supervision and 24 hour fuel supply arrangements at Crookedholm are now complete. An assessment will be undertaken of the possible benefits to the Council, both financial and environmental on the use of "dual fuel" vehicles within the fleet. 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. As a result of new legislation regarding the use of digital tachographs further training will be given to existing drivers and managers / supervisors will be trained in the compliance issues regarding downloading and filing of digital data.

- 4.3** During 2005/2006 It was expected that less vehicles would be available for maintenance internally as a result of higher than expected numbers of long term hires rather than owned vehicles It was hoped that if this trend could be reversed then this would enable the Unit to offer better value to its existing client base. There are signs of this change happening but at a slower rate than hoped for. Options for additional business for both maintenance and fleet management services will be pursued.

- 4.4** The South Area Contract expires 31st March 2006 and a further contract has been awarded taking the termination date to 31st March 2009 with a 1 plus 1 option.

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 2005/2006 shows a projected surplus of £25,000 at Period 10 which shows an improvement of £15,000 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

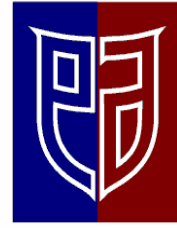
JTK/YK
27 February 2006

BACKGROUND PAPERS

Nil

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East Ayrshire
COUNCIL

TRANSPORT SERVICES UNIT

BUSINESS OPERATING PLAN

2006/2007

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 Executive Director of Development and Property Services and the Development 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. An 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 2006/07 is £1.390 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 Executive Director of Development and Property Services or the Head of Roads and 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
Undertake evaluation of the use of dual fuel vehicles	2006

4 OVER-VIEW OF PERFORMANCE IN PREVIOUS YEARS

4.1 FINANCIAL OBJECTIVES

4.1.1 The budgeted surplus for 2005/06 was set at £10,000, however the expectation is that this will be exceeded by approximately £25,000. The unit has achieved surpluses of £46,812 in 2004/05, £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 Storeperson 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 2004		Year to Jan 2005		Year to Jan 2006	
	Number	Pass Rate %	Number	Pass Rate %	Number	Pass Rate %
Internal MOT pass rate	59	73	188	82	109	85
External MOT pass rate	214	80	188	80	246	81
HGV (V.I.) Inspections	64	90	52	95	58	95
Workshop Quality Audits	104	100	89	99	86	99
Internal File Audit	131	88	124	86	116	88
South Area Contract Audit	14	79	102	75	97	45

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).

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 shift working 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 diesel usage for 2005/06 is approximately 1,000,000 litres and shows a 6% increase in usage from 2004/05.
- 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.
- 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 2005/06, 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

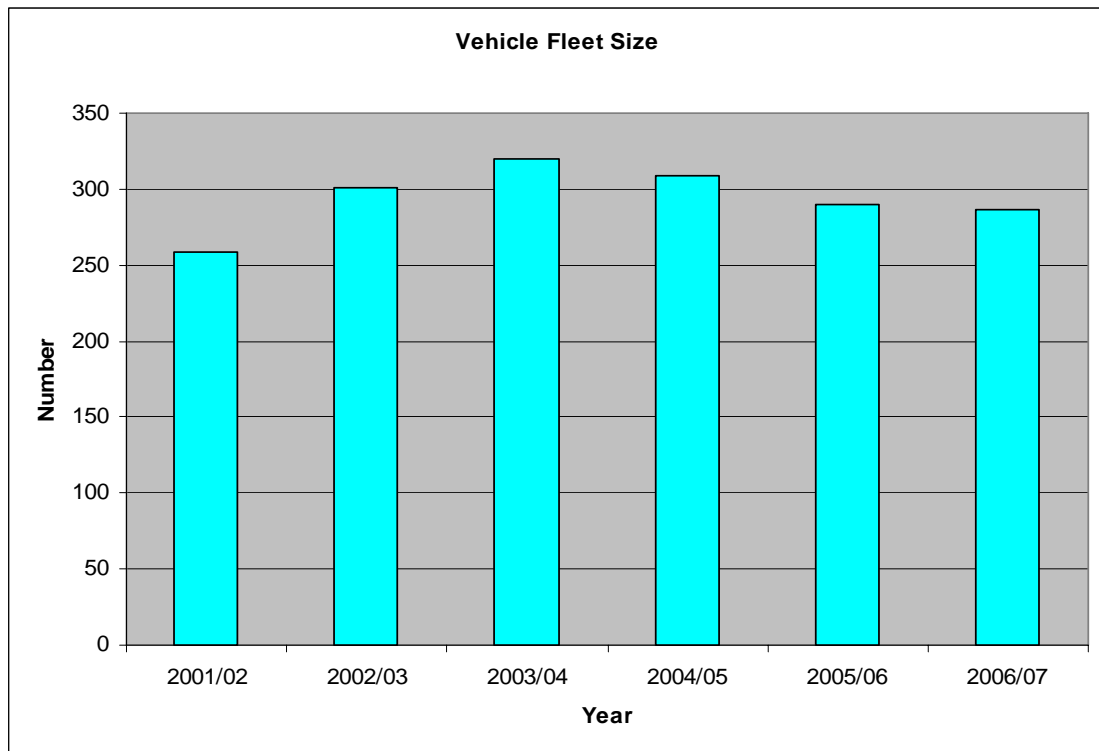
- 4.10.1** As a result of a combined commitment from Transport Services employees, the Senior Management team, Client departments, Trade Union representatives and Elected members, the fleet of vehicles operated by the council has been significantly upgraded, from the start of initial discussions 4 years ago.
- 4.10.2** The average age of a council vehicle has reduced by approximately 3.9 years from October 2000 to April 2006 (see Appendix 2) and has remained relatively constant throughout 2005/06.

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 maintenance procedures	On-going

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 during 2006/07 and 2007/08.

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 2006/07 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. The Transport Services unit is currently working with the Procurement Dept. to produce a co-ordinated version of a seven year purchase programme.

5.2 INCOME

5.2.1 Projected income for 2006/07 is set out in the table below:

ESTIMATED INCOME 2006/07

	Maintenance £	Management £	Total £
Building & Works	134,938	49,624	184,562
Leisure/Environmental Services	55,600	8,975	64,575
Corporate	2,920	1,783	4,703
Education	7,934	3,370	11,304
Housing	8,903	6,071	14,974
On-Site Services	2,782	2,019	4,801
Outdoor Amenities	53,259	10,672	63,931
Refuse Collection	191,374	31,169	222,543
Roads Client	99,603	2,925	102,528
Roads DLO	162,230	28,642	190,872
Social Work	115,301	21,375	136,676
Strategic Waste Fund	35,330	11,726	47,056
St Cleansing	48,099	11,569	59,668
St Lighting	27,204	2,952	30,156
Technical Services	556	404	960
Transport DSO	6,667	2,202	8,869
Woodlands	3,883	1,100	4,983
Driver Training			20,000
MOT & Fuel Income			57,486
Non Routine Repairs			75,000
Tyre Income			67,050
External Contracts			17,700
	956,583	196,578	1,390,397

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

	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Projection	2006/07 Estimate
Fuel Recovery	£24,464	£21,036	£32,804	£38,000	£30,000

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.

	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Projection	2006/07 Estimate
MOT & Taxi Tests	£22,292	£24,657	£27,295	£26,685	£26,685

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 2005/06, and a further increase of 3% has been authorised for 2006/07.

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 and highlight that the Transport Services Unit maintenance charges per year are significantly lower:

Vehicle Category	FTA Maintenance charge	Transport Services Maintenance charge
Car Derived Van	£826	£556
Transit sized Van	£1,359	£1,163
Small Tipper	£2,887	£1,294
Large Tipper	£4,480	£4,348

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 2005/06 to 2006/07, the Transport Unit estimates that it has made a contribution of approximately £82,700 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 06/07 inclusive of indexation adjustment £	Saving to Council £
Building & Works	184,562	207,046	(22,484)
Leisure / Environmental Services	64,575	47,309	17,266
Corporate	4,703	13,614	(8,911)
Education	11,304	20,948	(9,644)
Housing	14,974	24,700	(9,726)
On-Site Services	4,801	5,220	(419)
Outdoor Amenities	63,931	96,408	(32,477)
Refuse Collection	222,543	197,340	25,203
Roads Client	102,528	110,546	(8,018)
Roads DLO	190,873	161,820	29,053
Social Work	136,676	117,324	19,352
St Cleansing	59,667	142,425	(82,758)
St Lighting	30,156	28,582	1,574
Technical Services	960	1,629	(669)
Transport DSO	8,869	8,930	(61)
	1,101,122	1,183,841	(82,719)

5.3.4 This highlights the ability of the Transport Unit to be as cost effective as external 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.

Staff Compliment	2002/03	2003/04	2004/05	2005/06	2006/07
Mechanical Transport Engineers	11	11	10	10	10
Apprentice Mechanical Transport Engineer	1	1	1	1	1
Workshop Operatives & Storeperson	3	3	3	3	3
Management & Administration	5	7	8	8	8
Redeployment	0	0	1	0	0

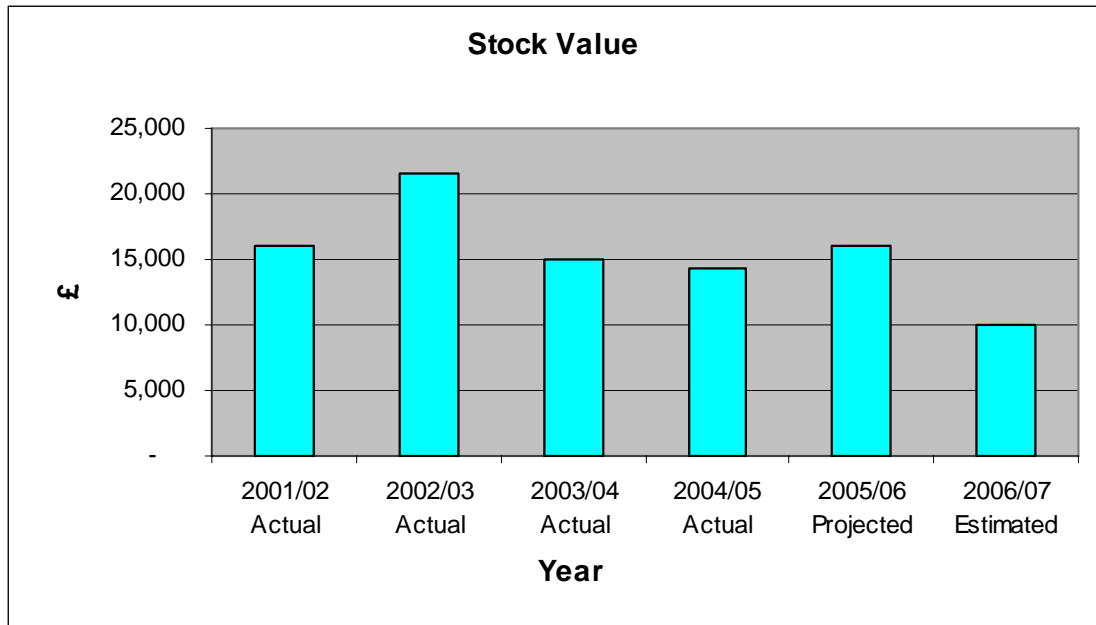
5.5.2 The Human Resource level within the Business Unit is determined by economic factors (supply and demand) and an analysis of working hours

required to comply with the Service Level Agreement. The forecast for 2006/07 shows 16,650 hours available and an estimated requirement of 15,220. Non fair wear and tear repairs and the NHS contract will utilise the remaining 1,430 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 highlighted the need to address existing staff grading issues that arose 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. These grading issues have been recognised by the Council and subsequently approved at the Corporate Governance Committee.
- 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 2006/07 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.



5.7 DIGITAL TACHOGRAPHS

5.7.1 New legislation regarding the fitting of digital tachographs to record driver movements and adherence to the Working Time Directive was made mandatory in January 2006. This will affect the council as any new heavy goods vehicles purchased will be fitted with digital tachographs. Initially there will be 9 vehicles and approximately 20 drivers who will have to be trained in the use of the new equipment. New software will require to be purchased to obtain legal compliance. It is envisaged that a vehicle replacement programme over the next 7 years will involve around 70 heavy goods vehicles and approximately 140 drivers. This will involve substantial training needs for drivers, supervisors and managers of all associated services. It is envisaged that client departments that use heavy goods vehicles will pay an additional charge to fund the necessary equipment and training required.

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 – 2006/07

6.2.1 The Key Quarterly Cash Flow information for the financial year 2006/07 is summarised below.

	Qtr 1 £000	Qtr 2 £000	Qtr 3 £000	Qtr 4 £000
Opening Surplus/(Deficit)	0	(60)	(51)	(24)
Quarterly Income				
Charges to Clients	204	407	306	408
Other Income	10	20	15	20
Total Income	214	427	321	428
Quarterly Expenditure				
Labour	151	198	149	146
Materials	63	101	76	89
Sub Contractors	19	31	23	27
Transport	14	17	13	13
Capital Charges	0	0	0	34
Quarterly Operating Surplus	(33)	80	60	119
DSO Overheads	27	71	33	38
Central Overheads	0	0	0	47
Closing Surplus/(Deficit)	(60)	(51)	(24)	10

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 client department 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. Significant developments towards achieving continuous improvement with items (5) and (6) were made during 2005/06. However 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 current South Area contract expires on the 31st March 2006. A new contract has been awarded to Kerr & Smith which will be in place until March 2009 with the availability of a further 1 plus 1 option.

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.

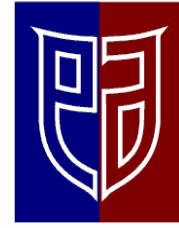
8.4 TECHNICAL IMPROVEMENTS

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 2005/06 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.



East Ayrshire
COUNCIL

TRANSPORT SERVICES UNIT

BUSINESS OPERATING PLAN

2006/2007

APPENDICES

Appendix 1

	Actual 2003/04	Actual 2004/05	Projected 2005/06	Estimated 2006/07
	£000	£000	£000	£000
Income				
Charges to Clients	(1,305)	(1,340)	(1,290)	(1,390)
Operating Expenditure				
Labour				
Salaries - Basic	405	431	450	485
- Overtime	46	51	30	30
Other	93	92	117	130
Total Labour	544	574	597	645
Materials				
Direct Purchases	322	315	324	328
Total Materials	322	315	324	328
Sub Contractors	120	133	100	100
Plant & Transport	57	62	57	56
Capital Charges	9	14	10	34
Total Operating Expenditure	1,052	1,098	1,088	1,163
Operating (Surplus)/Deficit	(253)	(242)	(202)	(227)
DLO/DSO Overheads				
Property Costs	82	75	84	89
Administration Costs	49	59	51	54
Departmental Overhead	30	32	26	27
Total DLO/DSO Overheads	161	166	161	170
Operating (Surplus)/Deficit After Internal Overheads	(92)	(76)	(41)	(57)
Central Overheads	29	29	31	47
Net (Surplus)/Deficit	(63)	(47)	(10)	(10)

Appendix 2

Department	Service	Number of Vehicles Oct 2000	Ave Fleet Age Oct 2000 (Years)	Number of Vehicles 2004/05	Ave Fleet Age 2004/05 (Years)	Number of Vehicles 2005/06	Ave Fleet Age 2005/06 (Years)	Number of Vehicles Estimates 2006/07	Ave Fleet Age Estimates 2006/07 (Years)
Neighbourhood Services	Leisure/ Environmental Services	21	7.2	18	3.5	13	2.4	11	1.7
	Housing	13	9.1	17	6.4	8	4.2	16	1.2
	Outdoor Amenities	28	7.5	31	6.5	23	1.1	9	2.7
	Refuse Collection (N)	14	2.4	18	2.4	18	2.7	20	3.1
	St. Cleansing (N)	10	3.1	11	2.6	10	2.3	9	2.0
	Strategic Waste Fund (N)					5	1.0	6	1.8
	Building and Works	64	4.1	104	0.9	100	0.3	102	0.8
Corporate Services	Corporate	3	3.0	2	0.5	3	2.5	3	2.3
	Skills Training	2	4.5	-	-			0	0.0
Development & Property Services	Roads Client	27	8.7	28	4.2	29	5.3	6	0.3
	Technical Services					4	6.5	1	0.4
	Roads DLO	37	4.5	28	3.3	28	4.0	27	1.2
	Transport Services	5	6.2	4	2.0	4	0.0	4	0.5
	Street Lighting	-	-	5	0.0	5	1.8	8	2.1
	Woodlands Project	3	3.0	3	1.0	3	2.5	3	3.5
Education & Social Services	Education	6	5.2	5	6.8	3	5.1	2	8.7
	On-Site Services	3	10.0	5	0.0	5	1.2	5	2.2
	Social Work	25	5.1	30	4.9	29	4.9	35	4.5
Council Average		261	5.6	309	3.0	290	2.3	267	1.7

Appendix 3

Existing Service Provision							
Application		Description of Service	Operational	Legal	H&S	Insurance	Notes
	Vehicle	Fleet Development	Y	Y	Y	Y	Link with DDA
	Vehicle	Road Fund Licence Admin		Y			Links with Road Traffic Act
Driver		Drivers' Hours & Records Management	Y	Y	Y	Y	Links with VOSA & Area Traffic Office
	Vehicle	MOT Tests		Y		Y	Links with Road Traffic Act & VOSA
	Vehicle	Inspection/Service Scheduling	Y	Y	Y		Links with VOSA
	Vehicle	Management of Vehicle Maintenance Records	Y	Y	Y	Y	Links with Area Traffic Office
Driver		Driver Assessment	Y	Y	Y		Links with vehicle policy (B21)
Driver		Instruction on Driver Daily Checks	Y	Y	Y		Links with both VOSA & operator licence commitment
Driver	Vehicle	Maintain 'O' Licence Integrity	Y	Y		Y	Links with VOSA & Area Traffic Office
	Vehicle	Fuel Supply	Y	Y	Y		Links with SEPA & EU procurement legislation
	Vehicle	Vehicle Checks		Y	Y		Links with both VOSA & operator licence commitment
Driver	Vehicle	Insurance Claim Processing		Y	Y	Y	Links with vehicle policy
	Vehicle	External Hire	Y	Y	Y	Y	Links with EU Fourth Directive & procurement legislation

Proposed Additional Service Provision							
Application		Description of Service	Operational	Legal	H&S	Insurance	Notes
Driver		MidAS Training	Y		Y	Y	Specialist Training
Driver		Drivers' Hours & Records Management (Digital Tachographs)	Y	Y	Y	Y	Budgetary Implications for All Applicable Departments
Driver	Vehicle	Quality Monitoring		Y	Y	Y	Links with ISO9000
Driver	Vehicle	Post Accident Investigations	Y		Y	Y	Links with risk management
Driver	Vehicle	Fleet Care (Remedial Training)	Y	Y	Y	Y	Links with vehicle policy
Driver		Periodic Refresher Training/Assessment			Y	Y	Links with vehicle policy
Driver		Driver Database	Y	Y		Y	Links with risk management
	Vehicle	Central Hire Desk	Y	Y	Y	Y	Links with Internal Audit report