

15th January 2007

REPORT BY DIRECTOR OF TECHNICAL SERVICES

SBc Contracts

1 Purpose of Report

- 1.1 To update the members of the Trading Operations Sub-Committee on the performance of SBc Contracts for the period 1st April to 30th November 2006.

2 Business Performance

2.1 Financial Performance 1st April to 30th November 2006

Appendix 1 provides an analysis of the income and expenditure achieved and the projected outcome for 2006/07 relative to budget. Based on the available data, we are forecasting that SBc Contracts will generate a surplus of £332K for the 2006/07 financial year, against a revised budget target of £280K.

We are forecasting total year expenditure of £21.2M against an approved budget for the year of £19.3M. This higher level of expenditure is more than offset by a higher level of income which is expected to reach £21.5 million against an approved budget of £19.6 million for 2006/07. All of the forecasted growth in income is expected to come from external sources.

Business Performance and Monitoring

- 2.2 During the period from 1st of April to 26th of November (Weeks 1 to 34), SBc Contracts generated a total of 258,190 chargeable hours. This is slightly below the level of 260,226 hours generated in the comparable period of 2005/06.

The average weekly chargeable hours generated per worker for this period was 37.8, slightly above the 3 year average level of 37.7.

The split of the chargeable labour hours generated up to the end of November this financial year was:

SBC Funded Work	= 54.0%
Non-SBC Work	= 33.5%
Council Winter Maintenance	= 3.6%
Non-Recoverable Work	= 8.9%

The potential shortfall in work for the fourth quarter of this financial year, reported at the last Trading Committee meeting, has now been successfully filled. The negotiations to secure work on the Eyemouth and Berwickshire High School projects were successful and work on both of these projects is well underway. We have also been awarded additional trunk road work from Amey valued at around £1 million to be completed in the current financial year. These contracts won since the last trading committee meeting will help to secure a full workload for our staff for the remainder of this financial year.

2.3 **Contracts Tendered and Won**

The value of tenders issued and won on a monthly basis so far this year is shown in Appendix 2. The overall success rate in terms of number of tenders won is 36%, whilst the value success rate was 29%. There is inevitably a lag on these numbers with decisions still awaited on some estimates issued towards the end of this recording period.

	April to November 2006
Number of tenders issued	531
Number of tenders confirmed as won	193
% Success	36%
Value of tenders completed	£21,463,687
Value of tenders confirmed as won	£6,325,605
% Success	29%

Other Main Issues

3.1 **Office Space**

The additional office accommodation units at the Reiver Complex have now been fully commissioned and the street-lighting team have successfully relocated from HQ to this new office space. This additional and more flexible office space has also seen a number of client and contracting staff relocate to more logical work groups.

3.2 **Trunk Road Contract**

The South East Scotland trunk road contract, currently held by AMEY, has been awarded to BEAR for the next 5 years following the re-tendering process which has just been completed by the Scottish Executive. The present Amey contract will expire at the end of March 2007. SBC Contracts management have already opened discussions with BEAR. It should be noted that any possible future gritting work for BEAR on the trunk roads will have to be undertaken using pre-wetting technology which is a Scottish Executive requirement under the terms of the contract awarded to BEAR. This may require the purchase of additional capital equipment which would have to be depreciated over the life of the contract. A report to the Capital Management Working Group will be taken in due course when the situation becomes clear.

In addition to gritting work we have also undertaken an important volume of Routine and Scheme works on the trunk road network on behalf of Amey. In the 2005/06 financial year this amounted to:

AMEY ROUTINE WORKS	1,459,132.60
AMEY SCHEME WORKS	514,994.25

The future level, if any, of routine and scheme trunk road work to be undertaken on behalf of BEAR remains uncertain at the present time and is a potential gap in our 2007/08 workload programme. Discussions will be pursued with BEAR with a view to securing such additional trunk road work. Success will depend on the strategy to be adopted by BEAR and our ability to meet their requirements.

3.3

Staffing

To address the manpower retention pressures highlighted at previous meetings, and following discussions with HR, agreement was reached during November to increase the overtime multipliers applied to manual staff. Standard overtime will now have a multiplier of 1.50 compared to a previous 1.38. Special overtime will now have a multiplier of 2.0 compared to a previous rate of 1.90. These changes were effected

following our success in securing the schools contract and the additional work for Amey. It was considered essential to have an adequate and reliable workforce in place to ensure that this work could be successfully undertaken within client deadline dates. The changes made to the overtime multipliers now give us a high degree of confidence that this can be achieved and that our workforce retention problem has stabilised.

Appropriate adjustments will be made in the labour charge-out rates for 2006/07 onwards to reflect these changes in our labour costs. The additional costs arising in this financial year between October and March will be absorbed by SBc Contracts and off-set by additional profits expected from the schools contracts and the additional work won from AMEY. SBc Contracts is forecasting that it will achieve the £332k level of surplus forecast at the last Trading Committee which is some £52k in excess of the budget for this year.

At the end of November the workforce stood at 200, 9 down from 209 at the start of this financial year.

4 Financial Implications

4.1 SBc Contracts is projecting a surplus of £332K for 2006/07, £52K above target.

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 It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

7 Environment

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

8 Risk Commentary

8.1 The retention of our skilled workforce and maintaining adequate productive capacity is the main risk at present.

9 Recommendations

9.1 I recommend that the Trading Operations Sub-Committee:

a) agree the contents of this report

b) approve the projected outturn as revised approved budget.

Approved by

Name	Designation	Signature
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