

5th March 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 31st January 2007.

2 Business Performance

2.1 Financial Performance 1st April to 31st January 2007

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 £282K for the 2006/07 financial year, against a budget target of £332K.

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

2.2 Business Performance and Monitoring

During the period from 1st of April to 31st of December (Weeks 1 to 39), SBc Contracts generated a total of 303,465 chargeable hours. This is slightly below the level of 304,816 hours generated in the comparable period of 2005/06. This is primarily due to a decline in our direct workforce levels compared to last year.

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

SBC Funded Work	= 52.2%
Non-SBC Work	= 33.1%
Council Winter Maintenance	= 5.8%
Non-Recoverable Work	= 8.9%

The very wet and stormy weather experienced during December has hampered work on a number of jobs during the month, notably for Amey, at the schools projects in Eyemouth and Duns and on the Eshiels access road work. This has resulted in under utilised plant and labour time on these jobs which has reduced our surplus from the level projected at the last trading committee.

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 40%, whilst the value success rate was 32%. This remains very much in line with our average long-term success rate on tendering.

April to December 2006

Number of tenders issued	575
Number of tenders confirmed as won	231
% Success	40%
Value of tenders completed	£22,717,618
Value of tenders confirmed as won	£7,344,031
% Success	32%

Other Main Issues

3.1 Trunk Road Contract

As you will be aware the present Trunk Road Contract which Amey Highways has been running has been won by BEAR. As of the 1st April 2007 BEAR will take over running the contract.

It has been agreed with BEAR that SBc Contracts will continue to carry out the winter maintenance function on their behalf on a sub contract basis.

The gritting routes are to change as follows

1. The A1 from Lamberton to Thistlycross.
2. The A68 from Ravenswood to Sherriffhall.
3. The A7 from the A699 junction at Selkirk to the English border at Scots Gap
4. The A7 from the A699 junction at Selkirk to Kingsknowes on to the A6091 to Ravenswood then the A68 to Carter Bar.
5. The patrol route will be from the A68 Carter Bar to A6091 Ravenswood to A7 Kingsknowes to the English border at Scots Gap.

The gritting system we have to use as part of the contract requires pre-wetted salt, which means our existing gritters will need to be modified. This will also mean we will only operate out of 2 depots on the trunk road work, namely Newtown and Duns, where we will site the pre-wetting equipment.

The issues arising from this, such as obtaining shift start flexibility, will be discussed with the drivers during a series of depot visits by SBc Contracts management during late February or early March.

We are also continuing discussions with BEAR regarding the possibility of SBc Contracts undertaking a range of trunk road maintenance and repair work under the new contract.

3.2 Staffing

At the end of December the workforce stood at 199, 10 down from 209 recorded at the start of this financial year.

3.3 Future Workload

The months of December and January have seen a very high level of tender requests for SBc Contracts to participate in various projects which are currently being planned. Our staff have been very busy during this period preparing tender documents in response to these requests. Whilst there is no guarantee at this stage about the success rate we will have in winning particular tenders, it is a good indication that there is a healthy level of potential new work becoming available within the external market.

We have recently succeeded in winning a contract worth around £1 million with Tweed Homes to undertake work on a housing development in Galashiels. This work is due to commence in the next financial year.

3.4 Recycling

A new waste recycling facility is now being commissioned at Langlee and will be operational shortly. A short presentation will be given at the Trading Committee meeting to show members the capabilities of the waste recycling facility, how it operates, what it can deliver and how it will help to reduce our future levels of waste going to landfill.

4 Financial Implications

4.1 SBC Contracts is projecting a surplus of £282K for 2006/07.

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 are the main risks at present.

8.2 Inclement weather as detailed in 2.2 above has the potential to disrupt any forecasted projection of the overall surplus.

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
Callum Hay	Director of Technical Services	[insert signature]]

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