

SCOTTISH BORDERS COUNCIL
EXECUTIVE COMMITTEE
TRADING OPERATIONS SUB-COMMITTEE

Item No 4

MINUTE of MEETING of the TRADING
OPERATIONS SUB-COMMITTEE held in
the COUNCIL CHAMBER, COUNCIL
HEADQUARTERS on 15 JANUARY 2007 at
2p.m.

Present: - Councillors R. G. Edgar (Chairman), M. S. Browne, N. Calvert, R. G. Edgar, J. Law, J. G. Mitchell.

Apologies:- Councillor D. Parker.

In Attendance:- Director of Technical Services, Head of Corporate Finance, Head of Corporate Administration, Fleet Manager, DLO Manager, Catering and Cleaning Manager, Business Manager Roads and Fleet, Parks Manager, Business Support Manager Corporate Finance, Committee Officer, (H. Reid.)

CHAIRMAN

1. In the absence of Councillor Parker, Councillor Edgar took the Chair

MINUTE

2. There had been circulated copies of the Informal Minute of 6 November 2006.

DECISION

APPROVED the Informal Minute of Meeting of 6 November 2006. The Director of Technical Services in response to a question from Councillor Mitchell updated Members on the current state of negotiations regarding the loss of the Neidpath Grazings.

SBC CONTRACTS SIGNIFICANT TRADING OPERATION

3. There had been circulated a report by the Director of Technical Services on Contracts Significant Trading Operations for the period 1 April to 30 November 2006. It was noted that based on the available data to 30 November 2006, SBc Contracts were forecasting a surplus for 2006/07 of £332K against a budget target of £280k. Appended to the report was a summary of the overall 2006/07 financial position, which forecasted total year expenditure of £21.2M against an approved budget for the year of £19.3M. The higher level of expenditure was however more than offset by a higher level of income which was expected to reach £21.5 million against an approved budget of £19.6 million for 2006/07. All of the forecasted growth in income was expected to come from external sources. The Business Manager, Roads and Fleet, detailed the total chargeable hours generated for the period, the Contracts completed, the ongoing major customers, the number and percentage of tenders won and recent new/repeat customers. It was noted that the trunk road contract which AMEY currently held with the Scottish Executive would expire at the end of March 2007 and had been awarded to BEAR for the next five years. SBc Contracts management had already opened discussions with BEAR. The Business Manager highlighted that any possible future gritting work for BEAR on the trunk roads would have to be undertaken using pre-wetting technology which is a Scottish Executive requirement under the terms of the contract awarded to BEAR. This might 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 would be taken in due course when the situation becomes clear. The steps taken to address the manpower retention pressures highlighted at previous meetings were explained. Following discussions with HR, agreement was reached during November to increase the overtime multipliers applied to manual staff. Standard overtime would now have a multiplier of 1.50 compared to a previous 1.38. Special overtime would now have a multiplier of 2.0 compared to a previous rate of 1.90. These changes would now give a high degree of confidence in elevating the workforce retention problem. Members asked question regarding the Sign Workshop, and the

effect the Tupe agreement could have on the workforce. The work carried out by the Department which was beneficial to the Environment was also discussed.

DECISION

- (a) NOTED the report; and**
- (b) APPROVED the projected outturn as revised approved budget;**
- (c) AGREED that in future the work carried out by the Section which had environmental benefits be also detailed in the report.**

FLEET MANAGEMENT

4. There had been circulated a report by the Director of Technical services to update Members on the Fleet Management Trading operation from 1 April to 30 November 2006. The report forecasted a surplus for 2006/07 of £44K comfortably ahead of the revised budget expectation of £18k. The Fleet Manager detailed that total income was expected to reach £3.26 million, some £80K ahead of the budgeted income value. External income remained some £76k below budget, due to the on-going restriction in the Section's ability to accept work from external clients as a result of the current manpower shortage. The reduced external income was however more than offset by a much higher than predicted internal workload, which was expected to generate £3.15 million, some £156k ahead of budget. It was noted that expenditure was also running higher than budget and was forecast to reach almost £3.22 million by the end of the year. The net forecast result was a £26K positive variance in expected surplus relative to the approved budget of £18K. Up to the end of November 2006 Fleet had generated a total of 25,146 productive hours, which was an increase of 7% over the same period in 2005/06 when 23,498 productive hours were generated. Given the staffing and long-term sickness levels experienced this year, this represented a very strong performance from our workforce. Members welcomed that that the section had been successful in managing to recruit two new mechanics for our Newtown depot. Both of these mechanics would start work in January on a temporary 6 month contract, which will allow time to evaluate and review their performance. A decision about offering further employment will be made at the end of this evaluation period. A new fuel card system was being introduced using the ARVAL system, which was designed to supplement existing in-house systems and to consolidate total expenditure on vehicles, fuel and plant. Members discussed the new fuel card system and congratulated the Section on their performance.

DECISION

- (a) NOTED the report; and**
- (b) APPROVED the projected outturn as revised approved budget.**

CATERING AND CLEANING

5. There had been circulated a report by the Director of Technical Services to update Members on the Catering and Cleaning operation from 1 April to 30 November 2006. Appended to the report was a summary of the overall 2006/07 financial position. It was noted that the projected income for the year of £4,542k was £11k more than budget and projected expenditure of £4,493k was in line with budget. Overall the projected surplus was a net £11k over the forecasted budget of £38k. The Catering and Building Cleaning Manager explained that a comparison of meals from April 2006 to November 2006 with the same period last year had indicated an overall decrease of 2.56%. A further breakdown of primary school meals into traditional meals and frozen meals (regeneration meals) indicated that traditional meals had decreased by 5.32% while frozen meals had decreased by 0.08%. Appendices were attached to the report detailing the trends for the above information. It was noted that The school meal dinner price had been increased in August to £1.60 (true cost £1.65 – 5p subsidy from Hungry for Success funds), that there had been an overall reduction in the Primary School roll and that a new menu had been introduced to Traditional school meals in October 2006. The Delivered Meals Service (frozen meals) menu had not been altered since it was introduced in April 2006 due to negotiations as to where the meals would be

sourced in the future. The two Hungry for Success pilot schools, Berwickshire HS and Earlston HS continued to be monitored, which indicated that in the case of Berwickshire HS there has been a decrease in income of 17.5% (21.36%) whereas the figures for Earlston HS showed decrease of 10.57% (15.63%). The Executive agreed on 19 of December to provide milk and fruit juice as part of the school lunch. This would be at no extra charge to the pupil and will be funded from the Hungry for Success grant funding. This was estimated to be at a cost of between £50,000 and £80,000 per annum. The outstanding tendering for supplies of disposables had been awarded to Bunzl Cleaning and Hygiene Supplies with the Multi Portion frozen meals contract having been awarded to Clackmannanshire Council Catering Services and would commence with effect from the 15 January 2007. From this point all schools will be operating on one menu based on the traditional meals service. A sum of £124,600 has been set aside from the Schools Fund Capital Grant and a phased refurbishment of specific pieces of kitchen equipment had commenced. Recruitment and retention of staff still remained a risk to the service. The Catering and Building Cleaning Manager highlighted the fact that Galashiels Academy lost almost half of their domestic staff in one week, with the opening of the new 24 hour Tesco and Asda stores. Further reviews were also on-going to look at the attractiveness of posts, operational hours and the HR processes surrounding references and disclosure checks. Two new external contracts had commenced at Selkirk Riverside and Tweed Horizons. The two reviews reported in the September 2006 to look at provision for packed lunches and nursery class children were now underway. Members discussed the cost of the meals and the cost of agency staff to fill vacancies on a short term basis. It was also felt that the environmental improvements carried out by the Section could be included in the report in future

DECISION

(a) NOTED the report; and

(b) APPROVED the projected outturn as revised approved budget.

GROUNDS MAINTENANCE

6. There had been circulated a report by the Director of Technical Services to update Members on the on the Ground Maintenance operation from 1 April to 30 November 2006. The Parks Manager explained that the section was undertaking its winter work programme which included shrub and hedge maintenance, litter picking, pitch maintenance, tree pruning and ad-hoc work in response to issues raised during the year. The forecast income for the year of £3,350k is £152k greater than budget. Forecast expenditure of £3,349k is £165k greater than budget. The resulting surplus of £1k is £13k less than budget. The additional income arose from an increase in client charges, to recover higher than expected depreciation, interest, maintenance and fuel costs, with expenditure in excess of budget has been kept to a minimum by delaying replacement of both full time and seasonal staff throughout the year. The section had been participating in its first year of APSE performance networks which was a benchmarking exercise designed to give an indication of performance against other similar authorities throughout the UK. Grass cutting operations throughout the Borders have been ongoing up to and including the beginning of December. The requirement to carry on grass cutting had resulted in delays in undertaking shrub bed renovations and has the potential to delay further some other functions which are traditionally undertaken in advance of the Christmas break. However, the section was confident that all of the winter work would be complete in time for the next season. Attached to the report were details of the programme of play area improvements for the current year and also details of training programmes highlighting the types of training and the numbers of staff involved. It was noted that completion of the programme would result in a formal improvement to the Councils position under the relevant legislation governing the operations of the service. Discussions had commenced with providers in advance of delivering a similar programme in the winter period next year. The question of bedding plant procurement continued to be challenged, in light of the proposed closure of the nursery at Glenraig, Peebles, should the site be required late July then the plan was to de-cant to the nursery at Wilton Lodge park in Hawick, which would allow the winter/spring crop for 07/08 to be grown as usual. Discussions and decisions about this aspect of procurement which continue

beyond March 2008 could result in the need to buy in a proportion of the plants for the summer displays of 2008. Work was also ongoing with HR over the contractual options which might present themselves when employing seasonal staff. However management were making provision to employ seasonal staff earlier and for a longer period, which would be a significant step towards ensuring that resources were available to cope with the climatic changes which effected the service. There could be significant financial pressures as a result, which if no additional financial resource became available the cutting experienced this year might not be able to be managed to such a high standard in future. Members asked questions with particular regard to the play area upgrading programme and complimented the Section on their achievements to date.

DECISION

(a) NOTED the report; and

(b) APPROVED the projected outturn as revised approved budget.

The meeting concluded at 3. p m

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]]

Author(s)

Name	Designation
Robert Black	Head of Roads and Fleet
Kenny Hastings	Manager, SBC Contracts

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REVENUE BUDGET MONITORING 2006/07

Based on actuals to 31 January 2007

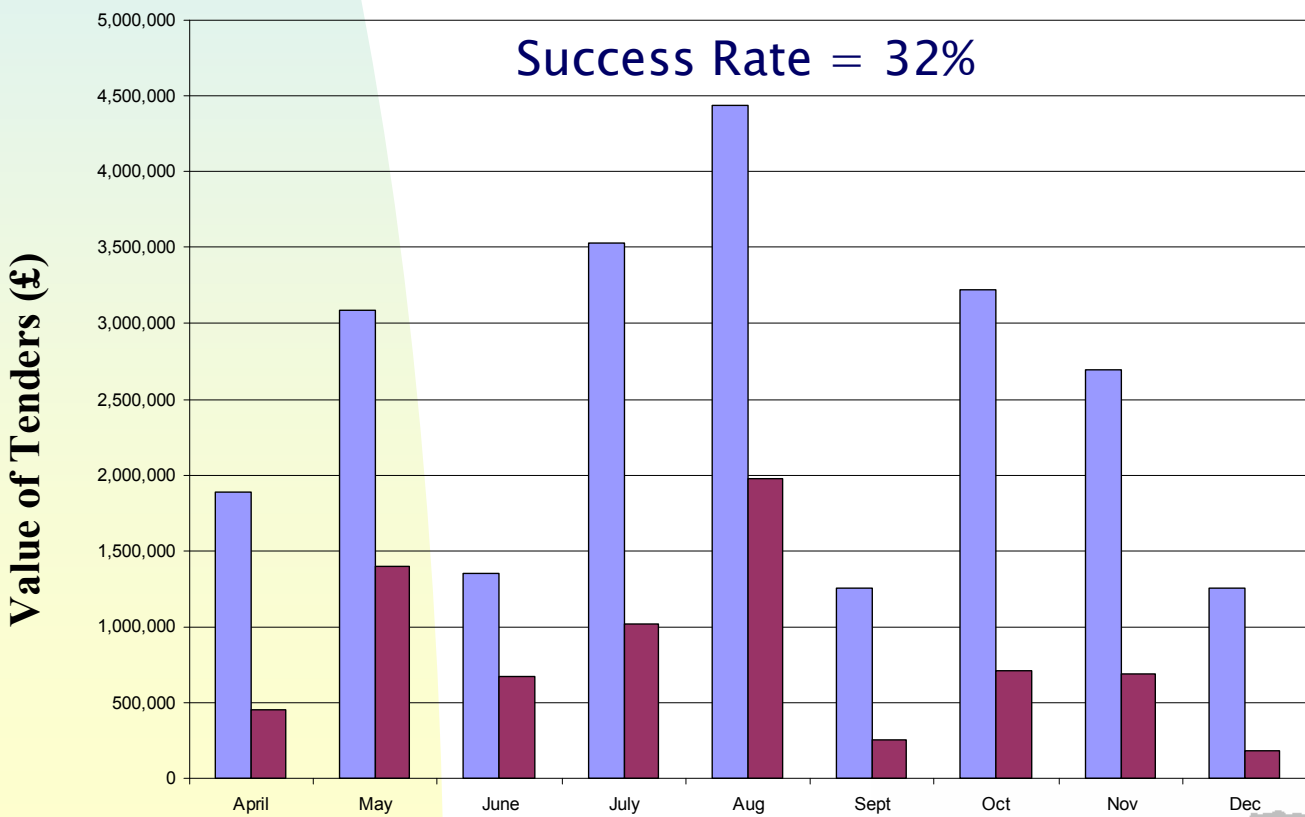
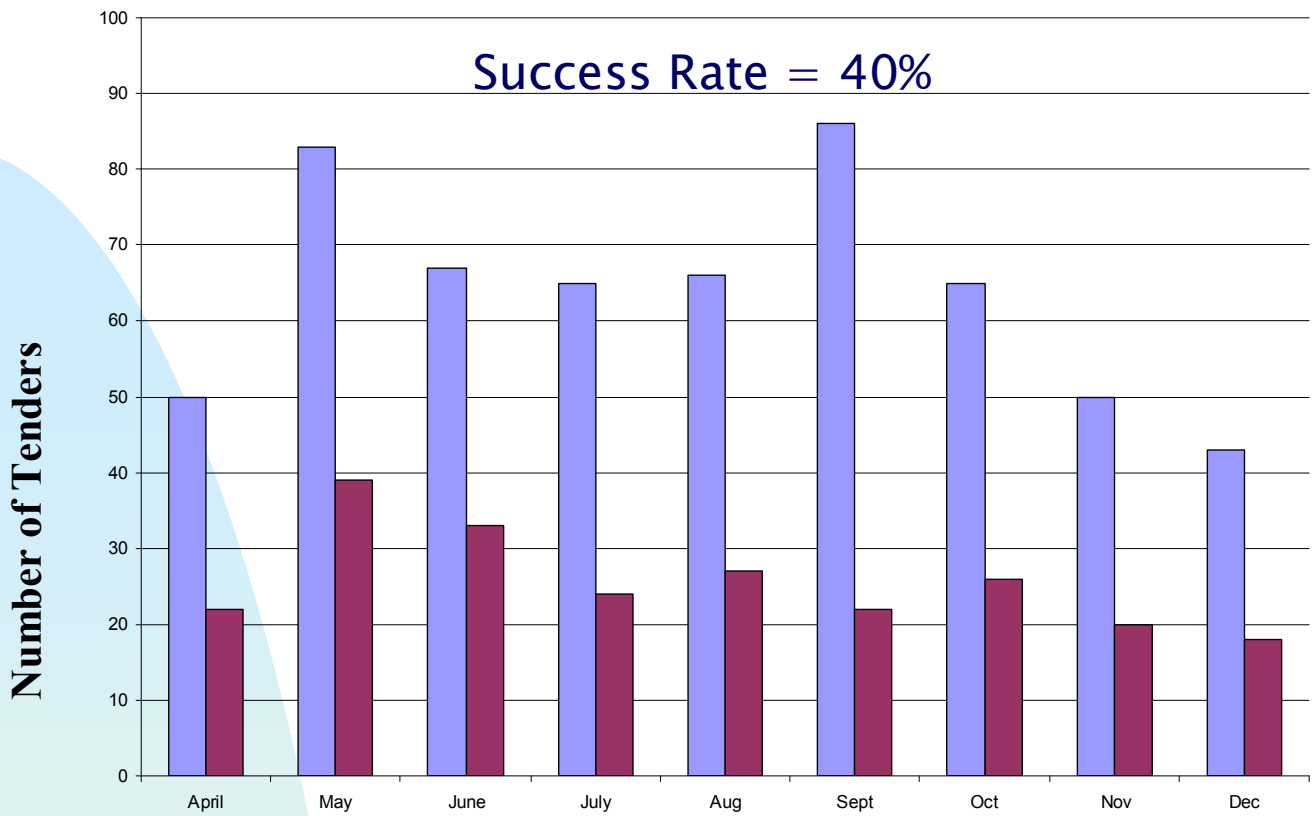
TECHNICAL SERVICES TRADING OPERATION - SBc Contracts

Ref	Description (Expenditure)	Actual Expenditure to 31/01/07	Projected Outturn	Current Approved Budget for the Year	Ref	Description (Income)	Actual Income to 31/01/07	Projected Outturn	Current Approved Budget for the Year
	(1)	(3)	(4)	(2)		(5)	(7)	(8)	(6)
		£'000	£'000	£'000			£'000	£'000	£'000
	Expenditure - Internal Recoverable					Income			
A	Employee costs and on-costs	5,106	6,391	6,318	L	From SBC client accounts	(5,915)	(8,846)	(8,900)
B	Signshop on-costs	50	68	68	M	From SBC capital accounts	(2,162)	(2,550)	(2,550)
C	Depot on-costs	266	520	550	N	From outside bodies	(8,066)	(10,105)	(10,116)
D	Management, admin and office oncosts Includes central support and asset rentals	1,076	1,353	1,375	O				
E	Own plant and vehicles	2,719	3,724	3,705					
F		9,217	12,056	12,016					
	Expenditure - External (Direct to Jobs)								
G	Direct materials and stock	4,661	5,490	5,520					
H	Sub contractors	2,755	3,185	3,211					
I	Hired plant and vehicles	423	488	487					
J		7,839	9,163	9,218					
K	Total Expenditure	17,056	21,219	21,234	P	Total Income	(16,143)	(21,501)	(21,566)
					Q	Net (Surplus) / Deficit	913	(282)	(332)
					R	Variance			50

Notes

- A to D Labour Overhead Account Expenditure (chargeable via labour hours)
E Plant and Vehicle Account Expenditure (chargeable via plant hours)
J External Costs (charged direct to jobs)

Tender Success Rate 2006/07



TENDERS ISSUED
 TENDERS WON

SBc CONTRACTS

TRADING COMMITTEE PRESENTATION

Aggregate Recycling Facility

SBc Contracts is establishing a facility at the Langlee site for recycling Construction, Demolition & Excavation Waste (**CDEW**).

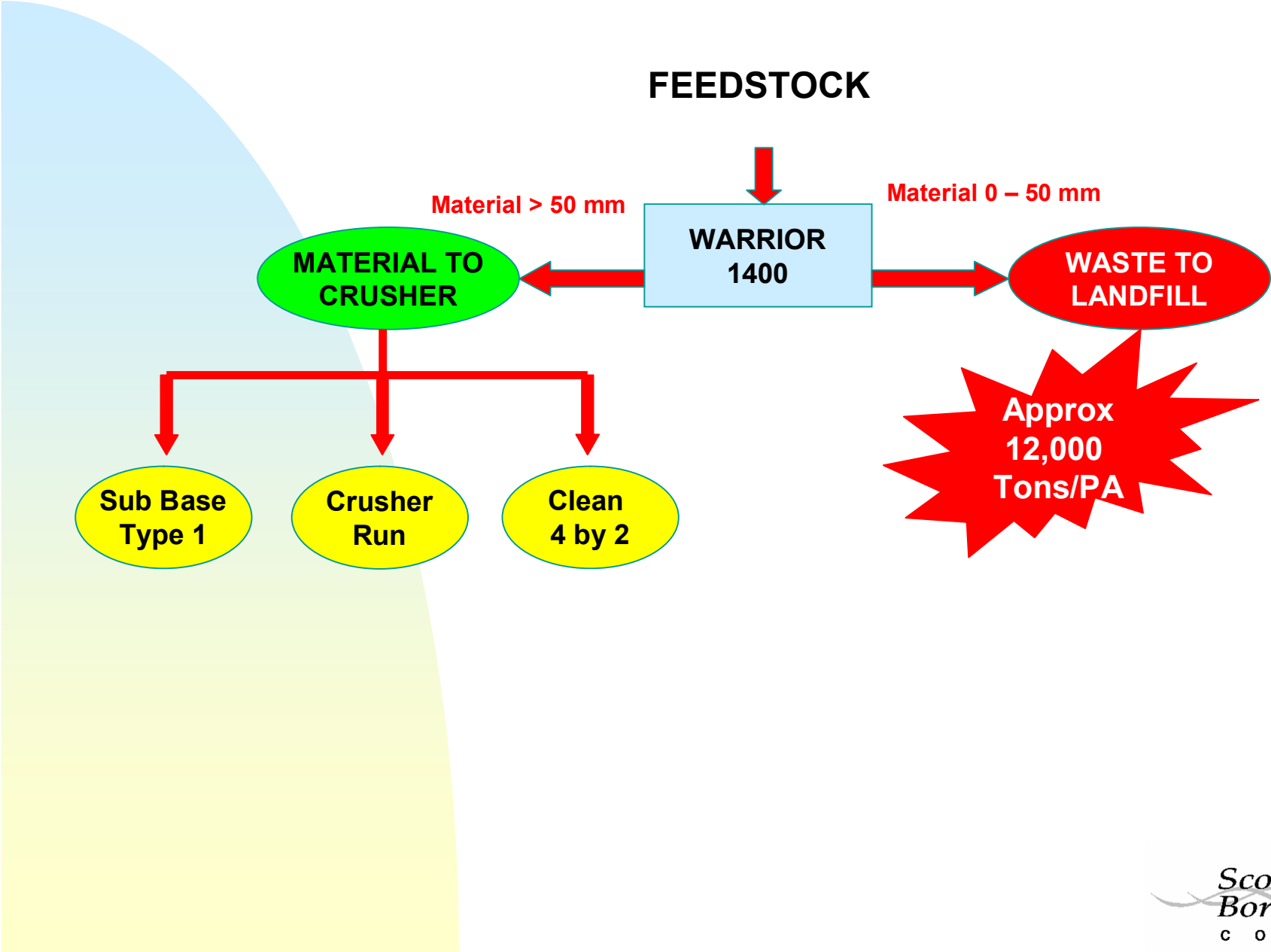


CDEW is defined as Inert, Non-Hazardous and uncontaminated wastes including the following groupings:

- concrete
- masonry
- bricks
- tiles & ceramics
- stone
- asphalt
- terracotta
- mixed flows of the above
- unbound granular materials

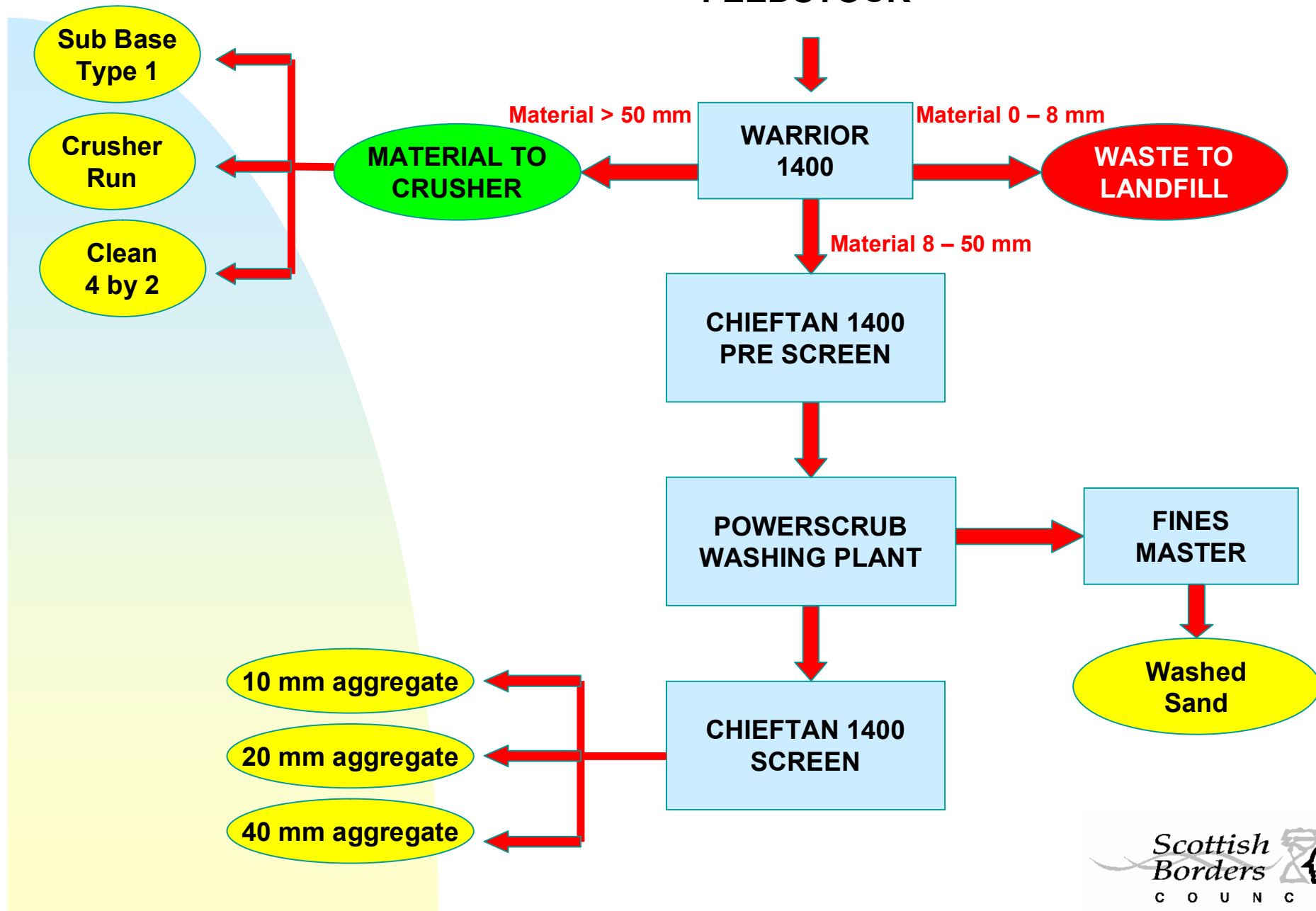
- The process is designed to minimise the amount of waste material going to landfill thus saving on landfill costs and usage.
- Produce a range of recycled aggregates for future usage on our jobs or for resale to other contractors such as:
 - 1. Aggregates for SHW sub-base types 1, 2 and 3**
 - 2. Aggregates for SHW capping layer**
 - 3. Aggregates for SHW fill**
 - 4. Aggregates for general fill**
 - 5. Other graded aggregates**

EXISTING SITUATION



NEW SITUATION

FEEDSTOCK





POWERSCRUB



**FINES
MASTER**



CRUSHER

FEEDSTOCK





**POWER
SCREEN**



CRUSHER



**POWER
SCREEN**



**CLEAN
4 BY 2**



**ENTIRE
SET-UP**



**CRUSHER
RUN**

**SUB
BASE**

15th January 2007

REPORT BY DIRECTOR OF TECHNICAL SERVICES

FLEET MANAGEMENT

1 Purpose of Report

- 1.1 To update the members of the Trading Operations Sub-Committee on the performance of Fleet Management for the period 1st April to 31st January 2007.

2 Business Performance & Financial Position

- 2.1 Fleet Maintenance is forecasting a year end surplus out-turn of £50K. This surplus forecast is in excess of the revised budget expectation which was for a surplus of £44K in 2006/07.
- 2.2 We are expecting total income to reach £3.3 million, some £52K ahead of the budgeted income value. External income is more than offset by a higher than predicted internal workload, which is expected to generate just over £3.2 million, some £51k ahead of budget.

Expenditure is also running higher than budget and is forecast to reach just over £3.26 million by the end of the year. The forecast surplus is £50K, which is a £6K positive variance relative to the approved budget of £44K.

- 2.3 Up to the end of January 2007 Fleet generated a total of 32,734 productive hours. This was an increase of almost 2% over the same period in 2005/06 when 32,145 productive hours were generated. Given the staffing and long-term sickness levels experienced this year, this again represents a good level of performance.

3 Issues & Risks

3.1 Productive Capacity

The current average age of the workforce has been reduced to 41 years from 52 years due to the retirement of senior workshop fitters through ill health retirement and two of the three apprentices taking up full time positions. External recruitment is still a problem and will continue to drive recruitment through training of apprentices internally, this years intake will be three, one in the fabrication workshop and two in the maintenance workshop at Newtown and Duns.

3.2 Fuel Card System

The fuel card system is working well with Protective Services, Passenger Transport

and Social Work now 100% signed up to receiving fuel supplied through SBC sites or using ARVAL fuel cards. The current monthly transaction values are:

Protective Services £711

Passenger Transport £1,016

Social Work £485

3.3 Fuel Storage & Management Facilities

Based on the assumption that our existing George Street depot will be closed and used for housing redevelopment, it is intended that our new depot facilities in Peebles will be located at Eshiels where work is currently underway on the new access road. The new Eshiels depot will require both fuel storage & management facilities on the new site. This will also include the new sonic tank measuring device being evaluated at Spylaw Kelso. This system gives accurate tank readings without the need for manual tank dips and eliminates the need for foremen to monitor tank levels. If this continues to be successful it will be rolled out to other sites as permitted by available funding.

3.4 Newtown Workshop Development

Phase two of the Newtown workshop development needs to be completed as soon as possible as it included accommodation provision for management staff and stores facilities both of which are currently located in old portable cabins. In addition, the toilet and washroom facilities for both workshop and office staff is in breach of Health and Safety regulations.

4 Financial Implications

4.1 The Fleet management trading operation is forecasting a surplus of £50K in 2006/07. Full analysis of this forecast can be seen in Appendix 1.

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 skilled fitters and our productive capacity poses no immediate financial risks in the current financial year, however, looking ahead, this remains the main medium term risk

8.2 Depot facilities require to be upgraded to meet welfare standards and to avoid falling foul of HSE, and to maintain workforce morale.

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]]

Author(s)

Name	Designation
Robert Black	Head of Roads & Fleet
Donald MacDonald	Business Manager, Roads & Fleet

Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference:

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REVENUE BUDGET MONITORING 2006/7

Based on actuals to 31 January 2007

TECHNICAL SERVICES TRADING OPERATION - FLEET

Description (1)	Actual Expenditure/ Income to 31/01/07 (2) £ 000	Projected Outturn (3) £ 000	Current Approved Budget for the Year (4) £ 000	Variance (3) - (4) (5) £ 000	Proposed Virement (6) £ 000	Projected over/(under) spend after virement (5) - (6) (7) £ 000	Comments on outturn and virements
Income							
Internal Charges	(2,285)	(3,203)	(3,152)	(51)		(51)	
External Charges	(90)	(112)	(111)	(1)		(1)	
Interest Received				0		0	
	(2,375)	(3,315)	(3,263)	(52)	0	(52)	
Expenditure							
Employees	812	1,032	1,032	0		0	
Premises Related Expenses	65	192	188	4		4	
Transport Related Expenses	284	446	469	(23)		(23)	
Supplies & Services	694	1,150	1,133	17		17	
Payments to Other Bodies	299	366	318	48		48	
Interest Charged							
Central Support Charges	45	48	48	0		0	
Asset Rentals	0	31	31	0		0	
	2,199	3,265	3,219	46	0	46	
Net (Surplus)/Deficit	(176)	(50)	(44)	(6)	0	(6)	

5th of March 2007

REPORT BY DIRECTOR OF TECHNICAL SERVICES

CATERING AND BUILDING CLEANING TRADING OPERATION

1 Purpose of Report

- 1.1 To update the members of the Trading Operations Sub-Committee on the performance of the Catering and Building Cleaning trading operation for the period 1st April to 31st January 2007.

2 Business Performance and Monitoring

- 2.1 Appendix 1 provides an analysis of income and expenditure and of the projected outturn for 2006/07 compared to budget. Projected income for the year of £4,586k is £44k more than budget and projected expenditure of £4,568k is £75k more than budget. Overall the projected surplus of £18k is a net £31k less than the forecasted surplus of £49k. There has been a significant movement in supplies costs since the last report due to initiatives discussed in 3.1 and 3.2 below. We continue to closely monitor the new food contracts, which commenced in October 2006. We are reviewing the breakdown of the total budgets into specific activities to identify the variation which has arisen due to the increasing income not matching the increase in supplies costs.

3 Business Update

- 3.1 Hungry for Success food standards on the meal deal choices have been implemented successfully in all secondary schools and all confectionery and inappropriate fizzy drinks have been removed from the menu. There will be a full review and further development of menus, choices and quality taking into account customer preference and taste.

The initiative to provide milk and fruit juice in Primary Schools as part of the school lunch which the Executive agreed to on the 19th of December, has been fully implemented at no extra charge to the pupil, and as agreed this will be fully funded from the Hungry for Success grant funding. This is estimated to be at a cost of between £50,000 and £80,000 per annum depending on uptake, we will be able to report back on the cost at the next meeting.

- 3.2 The Multi Portion frozen meals contract awarded to Clackmannanshire Council Catering Services commenced as planned on the 15th January 2007. A Staff training day held on Friday 5th January 2007 in St Boswells Primary School was successful in its aim to familiarise the staff with the new products. Further training also was undertaken during the February "In Service" days and a visit to the production unit took place. Schools have been invited to take part in a promotion day for the new meals during week commencing 19th March 2007 which will provide every child with the opportunity to try the new meal.

- 3.3 A sum of £123,000 has been set aside from the Schools Fund Capital Grant and a phased refurbishment of specific pieces of kitchen equipment has commenced. Phase one and two are commissioned, and phase 3 is being planned to be implemented by 31 March 2007.

In Drumlanrig PS and Lilliesleaf PS there is now consultation with head teachers for the programme of improvement to overcome serving, queuing and health and safety issues. This will be funded by Hungry for Success.

There are now discussions to prepare an option appraisal to investigate services that could be provided at St. Joseph's PS in Selkirk and Fountainhall PS since there is currently no provision in either school. Funding for proposals is yet to be identified.

The upgrading of some of the regeneration kitchens that produce the meals service from frozen dishes is now underway to introduce a more sustainable method of producing soups and custards etc. The introduction of "hob" units to the kitchens is now being undertaken.

The kitchen area work at Ayton PS is in progress as part of a bid submitted by the Head Teacher and should be completed by the end of March.

- 3.4 Following comments from APSE (Association of Performance and Service Excellence) and the HMIE (Her Majesties Inspector of Education) nutritionist it is felt that we need to take a more considered approach taking on board the experience of other authorities to the implementation of Smartcard technology and a Catering and Cleaning Management Information System. The way forward for this project will be incorporated into the findings of the APSE review in the summer.
- 3.5 The 'HACCP' Food Safety system is being updated and training sessions will take place with unit managers and operational managers between now and the end of March.
- 3.6 Following the initial work by APSE to gather performance information, a review is being undertaken of financial information, procurement costs and performance figures. Findings of this review and more detailed unit costs will be reported at the next meeting.

4 Issues & Risks Commentary

- 4.1 The Association for Public Service Excellence (APSE) are undertaking a wide-scale service review for both Catering and Cleaning. The detailed review has commenced with visits to schools and consultation with Head Teachers and all other stakeholders.

We are now developing a fully joint approach to the project with the Education and Lifelong Learning Department.

- 4.2 The review looks at the attractiveness of posts, operational hours and the HR processes surrounding references and disclosure checks is now underway.

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 We are looking to relocate the Denholm P.S. equipment in Drumlanrig P.S. following

reconditioning and redesign to fit the kitchen appropriately.

8 Financial Implications

8.1 The Catering and Building Cleaning trading operation is forecasting a surplus of £18K in 2006/07. Full analysis of this forecast can be seen in Appendix 1.

9 Recommendation

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]

Author(s)

Name	Designation
Vivianne Buller	Catering and Building Cleaning Manager

Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference:

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TECHNICAL SERVICES TRADING OPERATION - CATERING AND CLEANING

Description (1)	Actual Expenditure/ Income to 31/01/07 (2) £ 000	Projected Outturn (3) £ 000	Current Approved Budget for the Year (4) £ 000	Variance (3) - (4) (5) £ 000	Proposed Virement (6) £ 000	Projected over/(under) spend after virement (5) - (6) (7) £ 000	Comments on outturn and virements
Income							
Internal Charges	(3,260)	(4,241)	(4,211)	(30)		(30)	
External Charges	(265)	(345)	(331)	(14)		(14)	
Interest Received			0	0		0	
	(3,525)	(4,586)	(4,542)	(44)	0	(44)	
Expenditure							
Employees	2,164	2,734	2,754	(20)		(20)	
Premises Related Expenses	68	91	96	(5)		(5)	
Transport Related Expenses	76	105	99	6		6	
Supplies & Services	925	1,265	1,188	77		77	
Payments to Other Bodies	197	248	231	17		17	
Interest Charged	0	0	0	0		0	
Central Support Charges	118	118	118	0		0	
Asset Rentals	0	7	7	0		0	
	3,548	4,568	4,493	75	0	75	
Net (Surplus)/Deficit	23	(18)	(49)	31	0	31	

TRADING OPERATIONS SUB COMMITTEE

ITEM 5(d)

5 MARCH 2007

REPORT BY HEAD OF ENVIRONMENTAL SERVICES

GROUND MAINTENANCE TRADING OPERATION

1 Purpose of Report

- 1.1 To update the members of the Trading Operations Sub-Committee of the activities of the Grounds Maintenance trading operation for the period 1st April to 31st January 2007.

2 Business Performance and Monitoring

- 2.1 The Grounds Maintenance trading operation continues to perform contracted maintenance mainly for Parks and Open Spaces and Burial Grounds and also for local housing associations and private individuals.
- 2.2 The section is nearing completion of its winter work programme which includes shrub and hedge maintenance, litter picking, pitch maintenance, tree pruning and ad-hoc work in response to issues raised during the year.
- 2.3 Appendix 1 provides an analysis of income and expenditure for the first ten months of the year and of the projected outturn for 2006/07 compared to budget. Forecast income for the year of £3,388k is £38k greater than budget. Forecast expenditure of £3,388k is £39k greater than budget. The resulting break-even position is £1k less than budget. The additional income arises from an increase in client charges, to recover core skills training and early recruitment of seasonal staff as well as higher than expected depreciation, interest, maintenance and fuel costs.

3 Business Update

- 3.1 Recruitment of seasonal staff has started with a gradual filling of positions from 19th March 2007. It is planned to extend the employment period for seasonal staff in 2007 to ensure resources are available to cope with an extended growing period. This will be restricted in line with the additional funding made available in the 2007/08 budget.
- 3.2 Core skills training as detailed at the meeting of 15th January 2007 are underway in the department and will be extended to include seasonal staff. Discussions have commenced with providers in advance of delivering a similar programme in the winter period next year.
- 3.3 Four apprentices will be starting early in 2007/08 with the posts having been established under the Modern Apprenticeship Scheme where Scottish Executive funding is provided for formal training e.g. SVQ in horticulture.
- 3.4 Retendering for external contract work for the 2007/08 season is in progress and indications are that all existing contracts are likely to be retained.
- 3.5 Preparations are underway for the provision of summer bedding plants. However for the longer term and with the potential closure of the Glenraig nursery, a number of

options are being considered including buying in plants, relocation to Wilton Lodge park in Hawick and having a shared service arrangement with Midlothian Council who appear to have spare capacity at their Vogrie Park facility. A full report on bedding plant procurement is being prepared and will be made available to the Trading Standards sub-committee and submitted to the Executive Committee for consideration.

4 Financial Implications

4.1 The Grounds Maintenance trading operation is forecasting a break-even position for 06/07 after client charge increases to cover additional operating costs. Full analysis of this forecast can be seen in Appendix 1.

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 There are no equality issues directly associated with this report.

7 Environment

7.1 An audit has been completed on the issue of the bio-diversity duty as previously outlined.

7.2 Discussions continue with colleagues in Planning and Economic Development about those bio-diversity actions which are realistic and achievable and those which due to varying constraints are not.

8 Risk Commentary

8.1 Bedding plant procurement continues to be a risk but is being addressed as detailed in 3.5 above.

8.2 The recruitment and retention of our skilled workforce remains a risk to the department.

9 Recommendation

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]

Author(s)

Name	Designation
John Cook	Head of Environmental Services

Associated Papers: Appendix 1, 2 & 3.

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REVENUE BUDGET MONITORING 2006/07

Based on actuals to 31 January 2007

TECHNICAL SERVICES TRADING OPERATION - GROUNDS MAINTENANCE

Description (1)	Actual Expenditure/ Income to 31/01/07 (2) £ 000	Projected Outturn (3) £ 000	Current Approved Budget for the Year (4) £ 000	Variance (3) - (4) (5) £ 000	Proposed Virement (6) £ 000	Projected over/(under) spend after virement (5) - (6) (7) £ 000	Comments on outturn and virements
Income							
Internal Charges	(2,358)	(2,981)	(2,943)	(38)		(38)	
External Charges	(301)	(407)	(407)	0		0	
Interest Received	0	0	0	0		0	
	(2,659)	(3,388)	(3,350)	(38)	0	(38)	
Expenditure							
Employees	1,882	2,325	2,247	78		78	
Premises Related Expenses	44	60	61	(1)		(1)	
Transport Related Expenses	647	798	836	(38)		(38)	
Supplies & Services	49	67	65	2		2	
Payments to Other Bodies	30	33	35	(2)		(2)	
Interest Charged	0	0		0		0	
Central Support Charges	73	73	73	0		0	
Asset Rentals	0	32	32	0		0	
	2,725	3,388	3,349	39	0	39	
Net (Surplus)/Deficit	66	0	(1)	1	0	1	

12 MARCH 2007

REPORT BY DIRECTORS OF CORPORATE RESOURCES & TECHNICAL SERVICES

TRADING OPERATIONS' FINANCIAL PLANS 2007/08 TO 2009/10

1 PURPOSE

- 1.1 To seek approval of the Revenue Financial Plans for 2007/08 to 2009/10 for the Council's Trading Operations (former DLO/DSO).**

2 BACKGROUND

- 2.1 At its meeting on 30 March 2004, the Executive agreed that the following activities would be managed as trading operations:-

- SBc Contracts (former Roads DLO)
- Fleet Management (former Vehicle Maintenance DSO)
- Catering and Building Cleaning (former Schools and Welfare Catering, Other Catering and Building Cleaning DSOs)
- Grounds Maintenance (former Grounds Maintenance DSO)

The Executive also determined that only the Roads Trading Operation was "significant" in terms of the Local Government in Scotland Act 2003 which imposes a statutory requirement for each "**significant** trading operation" to break even over rolling 3-year periods.

- 2.2 It should be remembered that Financial Plans simply represent trading activities in financial terms. Preparing, and monitoring against, a Financial Plan is sound management practice and provides a basis for measuring whether turnover and costs are at expected levels and whether planned headline financial targets e.g. break-even or surplus are likely to be achieved. This is essential in ensuring that the statutory obligation for significant trading operations to break even is met and that surpluses assumed in the Council's General Fund Financial Plan are achieved.

3 FINANCIAL PLANS 2007/08 TO 2009/10

3.1 A Financial Plan for each trading operation covering the 3-year period 2007/08 to 2009/10 is appended.

3.2 For 2007/08, the plans are based on current and projected levels of activity. Provision has been made for

- pay awards and the effect of increased employers National Insurance and Pension contributions from 1 April 2007
- price increases on energy, rates, insurances and water charges (consistent with the General Fund position)
- increased income from charges to clients.

3.3 For 2008/09 and 2009/10, provision for inflation has been made in each year as follows:-

- | | |
|-----------------------------|---------------|
| • Income | - 2.0% |
| • Pay awards | - 2.5% |
| • Central Support Recharges | - 3.0% |
| • Insurances | - 3.0% |
| • Energy | - up to 5.00% |

In addition to the price-based increases in income and expenditure referred to above, the budgets in the appendices also reflect any activity-based adjustments and efficiencies.

3.4 It must be recognised that as business is won and lost in the future, Trading Operations' Financial Plans will need to be adjusted to reflect the resultant increases and reductions in both expenditure and income.

3.5 For trading operations other than SBc Contracts, the vast majority of work is carried out for Council clients and, whilst the SBc Contracts trading operation is carrying out more and more work for third parties, around half of business is still for the Council. It is essential therefore that the assumptions which underpin the Trading Operations' Financial Plans and the Council's General Fund Financial Plans are consistent. In this regard,

- expenditure in client financial plans has been reconciled with income in trading operations financial plans
- the assumed surplus for 2007/08 included in the Technical Services budget is £403k which is consistent with the total planned surpluses in the Trading Operations budgets
- the provisional surpluses for 2008/09 and 2009/10 included in the Technical Services provisional budgets are consistent with the planned surpluses in the Trading Operations' provisional budgets for these years.

4 CONSULTATION

- 4.1 The appendices to this report have been prepared jointly by Corporate Finance and appropriate Technical Services business support and management staff.
- 4.2 The Heads of Corporate Administration, Financial Administration and Legal Services are being consulted and any comments will be reported to the meeting.

5 FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications for the Council arising from these Financial Plans other than those mentioned at paragraph 3.5 above.

6 RISK COMMENTARY

- 6.1 If the trading operations' financial plans are not approved, there is a risk that:

- over/underspendings will arise
- target surpluses will not be achieved

since managers will have no approved budget against which to measure actual turnover/expenditure.

- 6.2 Whilst there are no environmental risks arising directly from the proposals in this report, such risks may well be inherent in the operational activities of the trading operations.

7 EQUALITIES

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

8 RECOMMENDATIONS

- 8.1 It is recommended that the Sub-committee:-**

(a) approve the Financial Plans for 2007/08 to 2009/10 appended

(b) note that Financial Plans will need to be amended to reflect future changes in activity levels

(c) note that figures for 2008/09 and 2009/10 are provisional and will be firmed up when future 3-year plans are prepared.

Approved by

Name	Designation	Signature
John I Campbell	Director of Corporate Resources	
Callum Hay	Director of Technical Services	

Author(s)

Name	Designation
Alan Brown	Team Leader, Business Support – Corporate Finance

Background Papers:**Previous Minute Reference:**

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Scottish Borders Council

Revenue Financial Plan 2007/08 to 2009/10

Trading Operations Summary

Trading Operations	Planned Surplus 2007/08 £000	Planned Surplus 2008/09 (Provisional) £000	Planned Surplus 2009/10 (Provisional) £000
SBc Contracts			
Income	(22,119)	(22,332)	(22,539)
Expenditure	<u>21,812</u>	<u>22,025</u>	<u>22,232</u>
	(307)	(307)	(307)
Fleet Management			
Income	(3,271)	(3,321)	(3,373)
Expenditure	<u>3,248</u>	<u>3,298</u>	<u>3,350</u>
	(23)	(23)	(23)
Catering and Cleaning			
Income	(4,692)	(4,773)	(4,855)
Expenditure	<u>4,643</u>	<u>4,724</u>	<u>4,806</u>
	(49)	(49)	(49)
Grounds Maintenance			
Income	(3,473)	(3,547)	(3,622)
Expenditure	<u>3,449</u>	<u>3,523</u>	<u>3,598</u>
	(24)	(24)	(24)
Total	(403)	(403)	(403)

Scottish Borders Council

Revenue Financial Plan 2007/08 to 2009/10

SBC Contracts

Analysis	Budget 2007/08 £000	Budget 2008/09 (Provisional) £000	Budget 2009/10 (Provisional) £000
Income			
Charges to SBC Revenue Account	(8,659)	(8,582)	(8,692)
Charges to SBC Capital Account	(2,556)	(2,556)	(2,556)
External Charges	(10,904)	(11,194)	(11,291)
	(22,119)	(22,332)	(22,539)
Expenditure			
Employees	7,661	7,850	8,034
Premises	246	251	256
Transport	3,734	3,749	3,764
Supplies & Services	6,893	6,877	6,860
Payments to Other Bodies	2,664	2,667	2,670
Central Support Charges	556	573	590
Asset Rentals	58	58	58
	21,812	22,025	22,232
Net Surplus	(307)	(307)	(307)

Scottish Borders Council

Revenue Financial Plan 2007/08 to 2009/10

Fleet Management

Analysis	Budget 2007/08 £000	Budget 2008/09 (Provisional) £000	Budget 2009/10 (Provisional) £000
Income			
Charges to SBC Revenue Account	(3,078)	(3,128)	(3,180)
External Charges	(193)	(193)	(193)
	(3,271)	(3,321)	(3,373)
Expenditure			
Employees	1,110	1,140	1,169
Premises	158	160	162
Transport	502	502	503
Supplies & Services	979	993	1,007
Payments to Other Bodies	302	302	302
Central Support Charges	178	182	188
Asset Rentals	19	19	19
	3,248	3,298	3,350
Net Surplus	(23)	(23)	(23)

Scottish Borders Council

Revenue Financial Plan 2007/08 to 2009/10

Catering and Cleaning

Analysis	Budget 2007/08 £000	Budget 2008/09 (Provisional) £000	Budget 2009/10 (Provisional) £000
Income			
Charges to SBC Revenue Account	(4,443)	(4,519)	(4,596)
External Charges	(249)	(254)	(259)
	(4,692)	(4,773)	(4,855)
Expenditure			
Employees	2,805	2,886	2,968
Premises	93	93	93
Transport	103	103	103
Supplies & Services	1,282	1,277	1,272
Payments to Other Bodies	192	192	192
Central Support Charges	168	173	178
	4,643	4,724	4,806
Net Surplus	(49)	(49)	(49)

Scottish Borders Council

Revenue Financial Plan 2007/08 to 2009/10

Grounds Maintenance

Analysis	Budget 2007/08 £000	Budget 2008/09 (Provisional) £000	Budget 2009/10 (Provisional) £000
Income			
Charges to SBC Revenue Account	(3,034)	(3,095)	(3,157)
External Charges	(439)	(452)	(465)
	(3,473)	(3,547)	(3,622)
Expenditure			
Employees	2,330	2,399	2,468
Premises	57	59	61
Transport	854	855	857
Supplies & Services	85	85	85
Payments to Other Bodies	39	39	39
Central Support Charges	75	77	79
Asset Rentals	9	9	9
	3,449	3,523	3,598
Net Surplus	(24)	(24)	(24)