

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 12 MARCH 2007 at
2p.m.

Present: - Councillors R. G. Edgar (Chairman), N. Calvert, J. G. Mitchell, D. Paterson.
Apologies:- Councillors M.S. Browne, D. Parker.
In Attendance:- Director of Technical Services, Head of Corporate Finance, Manager-SBc Contracts,
Business Support Officer-Catering and Cleaning, Head of Roads and Fleet, Parks
Manager, Management Accountant-Environmental Services, 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 Minute of 15 January 2007.

DECISION

NOTED the Minute of Meeting of 15 January 2007.

SbC CONTRACTS SIGNIFICANT TRADING OPERATION

3. There had been circulated a report by the Director of Technical Services on SBc Contracts Significant Trading Operations for the period 1 April 2006 to 31 January 2007. It was noted that based on the available data to 31 January 2007, SBc Contracts were forecasting a surplus for 2006/07 of £282K against a budget target of £332k. The Manager, SBc Contracts explained that the very wet and stormy weather experienced during December had 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 had reduced the surplus from the level projected at the last trading committee. 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 £21.2m. This level of expenditure was more than offset by income which was expected to reach £21.5 m against an approved budget of £21.5 m for 2006/07. All of the forecast growth in income was expected to come from external sources. The value of tenders issued and won on a monthly basis so far this year was also detailed in an Appendix. The overall success rate in terms of number of tenders won was 40%, whilst the value success rate was 32%, which remained very much in line with our average long-term success rate on tendering. It was noted that BEAR would take over running the Trunk Road contract as from the 1 April 2007 and it has been agreed that SBc Contracts would continue to carry out the winter maintenance function on their behalf on a sub contract basis. Changes on the gritting routes were detailed in the report. The issues arising from this, such as obtaining shift start flexibility, would be discussed with the drivers. Discussions were continuing with BEAR regarding the possibility of SBc Contracts undertaking a range of trunk road maintenance and repair work under the new contract. Discussion took place regarding the new waste recycling facility being commissioned at Langlee which would be operational shortly. A short presentation on the capabilities of the waste recycling facility, how it operated and what it could deliver to help to reduce future levels of waste going to landfill was given. Members were also shown a DVD presentation on recycling facility currently in operation at Mayfield, Dalkeith. Members asked questions on the disappointing reduction in the projected level of surplus, on the level of non-recoverable work, on work carried out by the Section which had environmental

benefits and on SBc Contracts Environmental Policy and on the financial benefits regarding the amount of waste material being used for landfill.

DECISION

(a) NOTED the report; and

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

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 2006 to 31 January 2007. The report forecasted a surplus for 2006/07 of £50K comfortably ahead of the revised budget expectation of £44k. The Fleet Manager detailed that total income was expected to reach £3.3 million, some £52K ahead of the budgeted income value. Expenditure had also been higher than budget and was forecast to reach just over £3.26 million by the end of the year. Up to the end of January 2007 Fleet generated a total of 32,734 productive hours, which 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 represented a good level of performance. It was noted that the current average age of the workforce had been reduced to 41 years from 52 years due to the retirement of senior workshop fitters through ill health. Two of the three apprentices had taking up full time positions although external recruitment was still a problem. The Section would continue to drive recruitment through training of apprentices internally, with this year's intake being three, one in the fabrication workshop and two in the maintenance workshops at Newtown and Duns. The fuel card system was 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. Based on the assumption that the existing George Street depot would be closed and used for housing redevelopment, it was intended that new depot facilities in Peebles would be located at Eshiels where work was currently underway on the new access road.

DECISION

(a) NOTED the report;

(b) APPROVED the projected outturn as revised approved budget; and

(c) CONGRATULATED the staff on their achievements.

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 2006 to 31 January 2007. 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 £4,586k was £44k more than budget and projected expenditure of £4,568k was £75k more than budget. Overall the projected surplus of £18k was a net £31k less than the forecasted surplus of £49k. The Business Support Officer, Catering and Cleaning explained that there had been a significant movement in supplies costs since the last report, due to the Hungry for Success food standards having been implemented successfully in all secondary schools and due to the Multi Portion frozen meals contract having been awarded to Clackmannanshire Council Catering Services and commenced as planned on the 15 January 2007. A sum of £123k had been set aside from the Schools Fund Capital Grant and a phased refurbishment of specific pieces of kitchen equipment had commenced. Phase one and two having been commissioned, and phase 3 being planned to be implemented by 31 March 2007. It was noted that following comments from APSE (Association of Performance and Service Excellence) and the HMIE (Her Majesty's Inspector of Education) nutritionists, it was felt that a more considered approach would be required 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 would be incorporated into the findings of the APSE review in the summer. Members asked questions on the breakdown of budgets into specific activities, on the review of the Hungry for Success and on the initiative to provide milk and fruit juice in Primary Schools as part of the school lunch.

DECISION

- (a) NOTED the report;**
- (b) APPROVED the projected outturn as revised approved budget; and**
- (c) AGREED that information on the following items be supplied to the next meeting of the committee:-**
 - (i) the outcome of the review on the breakdown of the total budgets into specific activities with a view to identify the variation which had arisen due to the increased income not matching the increase in supplies costs;**
 - (ii) on the full review and further development of menus, choices and quality taking into account customer preference and taste; and**
 - (iii) on the costs of the initiative to provide milk and fruit juice in Primary Schools as part of the school lunch which the Executive.**

GROUNDS MAINTENANCE

6. There had been circulated a report by the Director of Technical Services to update Members on the Ground Maintenance operation from 1 April 2006 to 31 January 2007. Appended to the report was a summary of the overall 2006/07 financial position. The Parks Manager explained that the section was nearing completion of 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 £3,388k was £38k greater than budget. Forecast expenditure of £3,388k was £39k greater than budget with the resulting break-even position being £1k less than budget. The additional income arose 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. It was noted that recruitment of seasonal staff had started with a gradual filling of positions from 19 March 2007. It was planned to extend the employment period for seasonal staff in 2007 to ensure resources are available to cope with an extended growing period, which would be restricted in line with the additional funding made available in the 2007/08 budget. Core skills training was underway in the department and would be extended to include seasonal staff. Four apprentices would be starting early in 2007/08 with the posts having been established under the Modern Apprenticeship Scheme where Scottish Executive funding was provided for formal training e.g. SVQ in horticulture. Retendering for external contract work for the 2007/08 season was in progress and indications were that all existing contracts were likely to be retained. Preparations were 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 were still being considered including buying in plants, relocation to Wilton Lodge park in Hawick and having a shared service arrangement with Midlothian Council who appeared to have spare capacity at their Vogrie Park facility. It was noted that a full report on bedding plant procurement was being prepared for submission to this committee prior to being submitted to Executive for consideration. Members asked questions on the use of depots, health and safety issues in respect of grass cutting on steep embankments and on the profit margin for external contracts.

DECISION

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

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

7. There had been circulated a joint report by the Directors of Corporate Resources and Technical Services seeking approval of the Revenue Plans for 2007/08 to 2009/10 for the Councils Trading Operations. The Financial Plan for each trading operation covering the 3-year period 2007/08 to 2009/10 was appended to the report. The Head of Corporate Finance explained that for 2007/08, the plans were based on current and projected levels of activity. Provision had 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); and increased income from charges to clients. For 2008/09 and 2009/10, a 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% and 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 reflected any activity-based adjustments and efficiencies. It was recognised that as business that in the future, Trading Operations' Financial Plans would need to be adjusted to reflect the resultant increases and reductions in both expenditure and income. As for trading operations other than SBc Contracts, the vast majority of work was carried out for Council clients and, whilst the SBc Contracts trading operation was carrying out more and more work for third parties, around half of business was still for the Council. It was essential therefore that the assumptions which underpin the Trading Operations' Financial Plans and the Council's General Fund Financial Plans were consistent. In this regard, expenditure in client financial plans had been reconciled with income in trading operations financial plans; the assumed surplus for 2007/08 included in the Technical Services budget was £403k which was 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 were consistent with the planned surpluses in the Trading Operations' provisional budgets for these years. The Head of Corporate Finance stressed that at this stage the projections were prudent. Members asked questions on the rate of inflation, the projected turnover and on the proposed surplus on external works.

DECISION

AGREED:-

- (a) to approve the Financial Plans for 2007/08 to 2009/10 as detailed in the appendix to this minute;**
- (b) to note that Financial Plans would need to be amended to reflect future changes in activity levels; and**
- (c) to note that figures for 2008/09 and 2009/10 were provisional and would be firmed up when future 3-year plans were prepared.**

The meeting concluded at 2.50. p. m

EXECUTIVE COMMITTEE
TRADING OPERATIONS SUB-COMMITTEE
12 March 2007
APPENDIX

Revenue Financial Plan 2007/08 to 2009/10

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)

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)

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)

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)

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)