

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)

18th JUNE 2007

REPORT BY DIRECTOR OF TECHNICAL SERVICES

SBc CONTRACTS TRADING OPERATION

1 Purpose of Report

To report to the members of the Trading Sub Committee on the performance of the SBc Contracts trading organisation on its Financial Outturn for 2006/07 and an update on trading for 2007/08.

2 Business Performance and Monitoring 2006/07 Financial Outturn

2.1 Financial Performance 1st April 2006 to 31st March 2007

Appendix 1 provides an analysis of the variance between the income and expenditure achieved at £333k and the projected outcome reported at the February Trading Sub Committee meeting of £282k. A higher than expected level of activity in the final quarter contributed to our increased profitability and turnover. The level of surplus generated over the last ten years trading is shown in chart 1.

2.2 SBc Contracts turnover expanded its turnover by 6% in 2006/07 to reach its highest ever level of £24.12 million (see Chart 2). This exceeded the turnover predicted on the 27th of February, which was based on figures up to the end of December. The increase was due to several factors including ;-

- the mild winter which allowed high value work on major external contracts to proceed well ahead of schedule.
- Additional work was also carried out for AMEY in the run-up to the end of their trunk road contract.

The additional turnover was achieved with a 3% decrease in average employee numbers compared to the previous year. This contributed to an increase in sales per direct employee to £115,416 per person (See chart 3).

2.3 Total income was £2.6M higher than projected at the February meeting, due to a very strong fourth quarter. The additional work undertaken in the fourth quarter also resulted in additional costs of £2.4M relative to the figure previously reported. SBc Contracts generated 419,451 chargeable labour hours in 2006/07. This was a decrease of 2.4% on the previous year due workforce retention problems reported earlier in the year. Whenever possible, SBc takes opportunities to sub-contract elements of its workload to local companies. This not only helps the local economy but also enhances our surplus potential, and is the main reason why our revenue is increasing at a faster rate than our chargeable man hours. Strong efforts are made to achieve our growth through a combination of higher efficiency and appropriate sub-contracting. This can clearly be seen when viewing the changes in turnover against changes in direct manpower as shown in Chart 4.

- 2.4 A key measure used by many businesses today to measure their effectiveness and to benchmark performance is "Added Value per Person". Many organisations today record their added value rating and aim to improve this value by increasing turnover, improving efficiency and productivity and reducing material costs. SBc has shown a consistent improvement in the added value per direct worker (see chart 5). In 2006/07 this value increased again to reach £59,886. This is a performance indicator which compares very favourably with private sector competitors
- 2.5 Main income in 2006/07 arising from council work across the Borders was, winter maintenance £1,761,000, Eshiels access road £561,706, surfacing dressing of roads £554,670, and Duns Amenity site £313,079. In total in 2006/07, SBc Contracts performed 1,560 jobs (capital and revenue) for SBC council with an average value of £6,709.
- 2.6 Main income in 2006/07 arising from external clients was, David Wilson Homes £1,856,469, Border Construction £986,591, A.B Hamilton at Jenny Moore's Road St Boswells £697,327 and Charles Church Homes £657,463. In total in 2006/07 SBc Contracts performed 601 jobs non SBC council jobs with an average value of £14,183. Additionally SBc Contracts also undertook various trunk road works on behalf of AMEY Highways valued at £3,671,940

3 Business Update

- 3.1 It is important to recognise the significant and growing contribution that SBc makes to the council as a whole and to the wider local economy. SBc Contracts provides a multi-skilled labour force which can be rapidly deployed to assist in a wide range of emergency situations such as flooding, storm damage, landslides, road oil spillages and in unique situations such as the foot and mouth outbreak.

SBc Contracts:-

- a) Maintains around 209 high added value local jobs within SBc (see Chart 5)
- b) Maintains at least a further 15 high added value jobs in Fleet Maintenance
- c) Contributed £333,000 of Income Surplus in 2006/07 to council funds.
- d) Has contributed over £1,200,000 in Surplus in the 3 year trading period to 31st of March 2006 against a legal obligation to achieve only break-even.
- e) Contributed over a further £1,000,000 in 2006/07 indirectly to the council in the form of payments made for using other council services and facilities used.
- f) SBc has a range of fixed overhead expenses which arise. By growing the level of external work undertaken, these costs are spread over a larger amount of hours. In this way the average hourly charge-out rates are kept lower for Network Roads client. This helps to provide Best Value for the available revenue budget.
- g) Maintains a high level sub-contracting work to other mainly local companies, which helps to support indirect local employment. Total SBc sub-contracted services and plant hire was worth £4.7 million in 2006/07.

3.2 Contracts tendered and won

	2006/07	2005/06
Number of tenders completed	753	635
Number of tenders confirmed as won	320	294
% Success	42%	46%
Value of tenders completed	£42.6m	£21.5m
Value of tenders confirmed as won	£ 17.3m	£7.7m
% Success	40%	35%

4 Issues and Risk Commentary

- 4.1 **Future Workload:** The business has been actively tendering for work and as shown previously has been successful in winning over £17 million of work during the last financial year. As a result, SBc Contracts now has a very full order book until the end of the 2007 calendar year.
- 4.2 **Workforce Expansion:** In view of the very strong order outlook and to replace the losses of personnel experienced during 2006/07 it is now essential to increase the level of our direct workforce. We have been actively recruiting over the past weeks and will be looking to take on around an additional 20 employees to return our productive capacity to a more appropriate level. The response to adverts placed has been good and we are optimistic we can find the additional workers required.
- 4.3 **BEAR Update:** We now have the completed contract awarding us the trunk road winter maintenance work on behalf of BEAR for the coming 5 years. The surfacing work on the trunk road network has been awarded to Aggregate Industries. We have been in discussion with Aggregate Industries who have indicated that they would like to sub-contract surfacing work on trunk roads within the Borders to SBc Contracts. We are confident that this sub-contracting arrangement on behalf of BEAR will be successfully concluded. We are also in direct discussions with BEAR on undertaking a range of other road and street lighting works in the Borders.

5 Consultation

- 5.1 The Heads of Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report. Head of Corporate Finance has also been consulted and his comments will be tabled at the meeting.

6 Equality

- 6.1 There are no equality issues directly associated with this report.

7 Environment

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

8 Financial Implications and Summary

- 8.1 SBc Contracts generated a surplus of £333k in 2006/07. The turnover of £24.12 m.

9 Recommendation

9.1 I recommend that the Trading Operations Sub-Committee:

- (a) **Agree the content of this report.**

Approved by

Name	Designation	Signature
Callum Hay	Director of Technical Services	[insert signature]]

Author(s)

Name	Designation
Bob Black	Head of Roads & Fleet
Donald MacDonald	Business Manager, Roads & Fleet
Kenny Hastings	SBc Contracts Manager

Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference:

REVENUE OUTTURN MONITORING 2006/07

TECHNICAL SERVICES TRADING OPERATION - FLEET

Description (1)	Actual Expenditure/ Income £ 000	Projected Outturn £ 000	Projected over/(under) spend £ 000	Comments on outturn and virements
Income				
Internal Charges	(3,167)	(3,203)	36	Slightly higher than anticipated income from both internal and external sources
External Charges	(120)	(112)	(8)	
	(3,287)	(3,315)	28	
Expenditure				
Employees	1,035	1,032	3	
Premises Related Expenses	192	192	0	
Transport Related Expenses	442	446	(4)	
Supplies & Services	1,097	1,150	(53)	Higher than anticipated vehicle operating costs which were passed on to clients above, offset by lower than anticipated internal costs
Payments to Other Bodies	365	366	(1)	
Central Support Charges	48	48	0	
Asset Rentals	29	31	(2)	
	3,207	3,265	(58)	
Net (Surplus)/Deficit	(80)	(50)	(30)	

18th JUNE 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 2006 to 31st March 2007 and an update on current issues for 2007/08.

2. Business Performance and Monitoring 2006/07 Financial Outturn

2.1

Appendix 1 provides an analysis of the variance between the surplus achieved (£80K) and the projected surplus reported at the February Trading Sub Committee meeting (£50k). This stronger than expected surplus performance, was due to a combination of several factors which occurred since the last Trading Committee meeting.

- Additional income of £27k was earned from the fuel system uplift.
- The Fleet sales income expanded by 8.0% in 2006/07 to £3.28 million. This increase in sales was due to higher material content and larger repairs relative to the previous year.
- Fleet internal productive hours in 2006/07 reached 37,551 a rise of 1.7% on the 36,909 hours generated the previous year.

3. Business Update

- 3.1 **Productive Capacity:** We were able to add additional income due to our early decision to recruit additional fitters in the knowledge that some existing staff were planning to leave.
- 3.2 **Apprentice Wage Structure:** A new wage structure has been agreed for apprentices and two apprentices have been recruited for the fabrication workshop in Newtown. Retention of qualified staff remains difficult with two staff resigning in June.

Consideration will be given to recruiting more apprentices during August / September in Duns, Newtown and Hawick as these would appear to be the locations offering the best opportunities for replacing / recruiting staff.

- 3.3 **Joint Vehicle Procurement:** Work on our Joint Vehicle Procurement initiative is progressing. Fleet Managers from 12 different local authorities in Scotland have now noted interest and expressed a desire to participate in a joint vehicle procurement programme. The objective of this exercise is to ensure that all participants obtain Best Value from vehicle procurement whilst maintaining the flexibility to source the vehicle types and specifications most suited to our individual needs.

3.4 **Fuel Storage & Delivery:** Fleet continues to absorb the infrastructure costs of the council's fuels storage and delivery systems. High replacement costs are expected to be incurred in 2007/08 of replacing underground fuel storage tanks which are now deteriorating in condition. Already this month we have experienced the failure of the underground fuel tanks at Langlee. They have now had to be shut off and will have to be replaced with surface tanks when funding is available. The two replacement surface tanks required are expected to cost around £20k excluding the associated infra-structure costs.

4. Issues and Risk Commentary

4.1 There are several risks associated with this report and these are described in Para 3 under main issues.

5. Consultation

5.1 The Heads of Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report. Head of Corporate Finance has also been consulted and his comments will be tabled at the meeting.

6. Equality

6.1 There are no equality issues directly associated with this report.

7. Environment

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

8. Financial Implications and Summary

8.1 Fleet Management generated a surplus of £80k in 2006/07. Turnover for the year was £3.28m.

9. Recommendation

9.1 I recommend that the Trading Operations Sub-Committee:

(a) Agree the content of this report.

Approved by

Name	Designation	Signature
Callum Hay	Director of Technical Services	[insert signature]]

Author(s)

Name	Designation
Bob Black	Head of Roads & Fleet
John Martin	Fleet Manager

Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference:

REVENUE OUTTURN MONITORING 2006/07

TECHNICAL SERVICES TRADING OPERATION - FLEET

Description (1)	Actual Expenditure/ Income £ 000	Projected Outturn £ 000	Projected over/(under) spend £ 000	Comments on outturn and virements
Income				
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	(3,287)	(3,315)	28	
Expenditure				
Employees	1,035	1,032	3	
Premises Related Expenses	192	192	0	
Transport Related Expenses	442	446	(4)	
Supplies & Services	1,097	1,150	(53)	Higher than anticipated vehicle operating costs which were passed on to clients above, offset by lower than anticipated internal costs
Payments to Other Bodies	365	366	(1)	
Central Support Charges	48	48	0	
Asset Rentals	29	31	(2)	
	3,207	3,265	(58)	
Net (Surplus)/Deficit	(80)	(50)	(30)	

18th June 2007

REPORT BY DIRECTOR OF TECHNICAL SERVICES

CATERING AND CLEANING TRADING OPERATION OUTTURN 2006/07

1 Purpose of Report

- 1.1 To update the members of the Trading Operations Sub-Committee on the 2006/07 financial year outturn of the Catering and Building Cleaning trading operation and an update on current issues for 2007/08.**

2 Background and Financial Position

- 2.1 Appendix 1 provides an analysis of income and expenditure for 2006/07 compared to budget.
- 2.2 Income for the year of £4,547k is £39k less and expenditure of £4,550 is £18k less than previously reported and this has resulted in a deficit of £3k and a variance of £21k from the surplus projected at the February Trading Sub Committee. There was a late adjustment to the accounts, reducing expenditure by £3k that would have resulted in a break-even position; but due to the relatively small nature of the adjustment in relation to the overall accounts closure timetable, this was not reflected in the accounts.

This variance can be attributed to the reduction in income in High Schools as a result of the full implementation of Hungry for Success and a reduction in external cleaning contract income due to loss/reduction in contracts compared with the budget projection.

The key drivers to the trading position are income, food costs and staff costs.

To address the reduction in income the service is investigating the promotion of the cleaning service, a review is ongoing and further development of menus and choices in an effort to increase take-up. Furthermore the APSE review has undertaken extensive consultation to a number of groups.

To ensure value for money in food costs, Appendix 2 shows a project plan for the review of procurement costs following the new tenders implemented in the third quarter of 2006/07 and finalising early information on the new tenders (see paragraph 3.4).

In respect of staffing, optimum core and additional staffing hours are being benchmarked as part of the APSE review process; alongside productivity levels (e.g. staff time per meal).

Initial work to break down the total budgets into specific activities and units (internal and school cleaning, school catering, staff restaurant/function catering and external contracts) has commenced to identify the trading surpluses and deficits for each part of the service, and whether this has budgetary or financial implications. This work is

requiring further analysis of allocation of management costs, and full reconciliation to the financial system. Indications show that for 2006/07 schools catering made a small surplus while internal and school cleaning, staff restaurant/function catering and external contracts made small deficits. This work will develop towards reviewing individual school and contract profitability and planning to move towards break even for all areas of the business. For 2007/08 monitoring reports this information will be provided to subsequent Trading Sub-Committees.

3 Business Update

- 3.1 Service managers from the Education and Lifelong Learning (ELL) and Technical Service departments met with HMIE Inspector Lesley Kirkwood on the 5th June to review the progress of the Scottish Executive Hungry for Success programme in schools in the Scottish Borders and to present the inspector with our 7 point action plan for 2007/08.
- 3.2 A workshop was held on the 22nd May and was attended by the ELL Hungry for Success Team and the Catering and Cleaning Team to review and improve the Primary School Menu. An action plan has now been developed for planning the menu for the Autumn /Winter 2007/08.
- 3.3 A workshop will be held on the 12th June to develop the High School Menu and will be attended by the High School Catering Managers, ELL Hungry For Success Team and the Catering/Cleaning team.
- 3.4 Tenders for the supply of fresh meat and fish, fresh fruit and vegetables, dairy products and eggs have now been issued to all interested suppliers and the closing date is 22nd June. A procurement open day was held on the 19th March when local supplier, farmers and growers were invited to meet procurement officers and catering managers to learn all about the tendering process and to network with each other.
- 3.5 As part of the APSE Best Value Review, Head teachers were invited to complete service review questionnaires for Catering, Cleaning and Janitorial Services and this information will be used to feed into the Best Value Review Report and Recommendations. The APSE Best Value Review is expected to conclude its findings in August.
- 3.6 A workshop was held on the 30th May to review all Hospitality and Function Catering Services provided to schools and departmental clients within Scottish Borders Council. The workshop identified inconsistencies in service standards and menus and further work will be carried out by the Hospitality coordinator to determine new menus and set service standards and presentation as well as determining service equipment requirements and carry out training.
- 3.8 Phase 3 of the refurbishment under the Schools Fund Capital Grant was implemented by 31 March 2007. In relation to the Hungry for Success refurbishments of Drumlanrig PS, Lilliesleaf PS and Ayton PS, work is currently ongoing and planned to be executed by the close of 2007/08. Funding is also secured for improving furniture in the Secondary Schools.
- 3.9 A report on detailed proposals for the introduction of Smartcard technology and the Catering and Cleaning Management Information System will be taken to the Executive on 14 August 2007.
- 3.10 'HACCP' Food Safety training took place in the second week of March, and the full training skills audit is to take place on the 19th and 20th June, to be undertaken by and

external specialist.

4 Issues and Risk Commentary

4.1 There are several risks that are associated with the service, that are being mitigated as far as possible with the actions set out in the 2007/08 Business Plan (see Appendix 3).

4.2 Risks include:

Continued loss of income through loss of external contracts and reduced take-up.

Pressure to deliver more attractive menu options to improve take-up having an impact on food costs.

Need to improve the link between understanding the operation and its impact on finances.

The level of business change and improvement that may be recommended through the APSE review, and also changes such as business transformation/single status and the Children's services review.

5 Consultation

5.1 The Heads of Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report. Head of Corporate Finance has also been consulted and his comments will be tabled at the meeting.

6 Equality

6.1 There are no equality issues directly associated with this report.

7 Environment

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

8 Financial Implications

8.1 The Catering and Cleaning Service made a reported deficit of £3k in 2006/07 compared with a projected surplus of £18k.

9 Summary

9.1 The service achieved a turnover of £4.54m during 2006/07 – very close to a break-even position. There are a number of business changes and improvements currently being jointly sponsored by the Technical Services Department and the Education and Lifelong Learning Department.

10 Recommendations

10.1 I recommend that the Trading Operations Sub-Committee:

(a) Agrees the content of this report.

Approved by

Name	Designation	Signature
Callum Hay	Director of Technical Services	[insert signature]

Author(s)

Name	Designation
Vivianne Buller	Catering and Cleaning Manager

Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference:

Appendix 2

Procurement Costing Review Timetable

Task	Timescale
Review of food costs per meal and comparison with APSE benchmarking position	July 2007
Review of 2006/07 costs prior to and post new contracts in October 2006 for production kitchens	July 2007
Review of 2006/07 costs prior to and post new contracts in January 2007 for DMS kitchens	July 2007
Quality assessment of new food contracts	October 2007
Analysis of reasons for cost variations	October 2007
Reconciliation of differences between actual costs and contract estimates	October 2007
Review of impact of changing meal numbers and wastage on procurement costs	October 2007
Using corporate 'benefits realisation' methodology with Corporate Procurement Unit to develop ongoing monitoring arrangements	December 2007
Establish estimated implications of newly tendered contracts on overall costs	December 2007
Implementation of plans to provide further guidance on procurement to unit managers to ensure management of costs	December 2007

REVENUE OUTTURN MONITORING 2006/07

TECHNICAL SERVICES TRADING OPERATION - CATERING AND CLEANING

Description (1)	Actual Expenditure/ Income to 31/01/07 (2) £ 000	Projected Outturn (3) £ 000	Projected over/(under) spend after virement (5) - (6) (7) £ 000	Comments on outturn and virements
Income				
Internal Charges	(4,229)	(4,241)	12	
External Charges	(318)	(345)	27	Lower than anticipated external cleaning income due to lost contracts and reduced secondary school income as a result of reduced meal take-up following the implementation of Hungry For Success.
	(4,547)	(4,586)	39	
Expenditure				
Employees	2,757	2,734	23	Overspend in employee costs due to higher overtime and temporary staff than anticipated, as a result of the implementation of Hungry for Success
Premises Related Expenses	92	91	1	
Transport Related Expenses	105	105	0	
Supplies & Services	1,231	1,265	(34)	Lower than anticipated internal costs together with a small £5K saving in food costs
Payments to Other Bodies	242	248	(6)	
Central Support Charges	118	118	0	
Asset Rentals	6	7	(1)	
	4,550	4,568	(18)	
Net (Surplus)/Deficit	3	(18)	21	

Item No 5(c) - Appendix 3 Catering and Cleaning

Catering and Cleaning Business Plan Actions 2007/08

1	Agree methodology for development of external contracts for catering, cleaning and other services
2	Develop relationships with Schools and E&LL Department
3	Implement and develop regeneration meals partnership with Clackmannanshire
4	Undertake review of regeneration meals in accordance with Executive paper timescales
5	Undertake new supplies procurement for 2007/08
6	Manage changes to the management structure and links to facilities management
7	Undertake APSE review and prepare plan based on findings
8	Implement outcomes of APSE review
9	Develop Service Level Agreement and Business Management approach
10	Prepare plan for equipment renewal needs
11	Strengthen approaches to project planning in Catering and Cleaning Department
12	Strengthen approaches to marketing
13	Address operational issues as they arise
14	Continue to develop the primary school menu
15	Continue to develop the secondary school menu
16	Continue to develop the vending policy
17	Promote and market hungry for success

Item No 5(c) - Appendix 3 Catering and Cleaning

18	Undertake review of school kitchens/dining room facilities
19	Invest in the dining environment
20	Undertake training needs analysis
21	Produce and quality assurance development
22	Develop procedure for specialist diets
23	Develop processes and methods for maximising anonymity for free school meals in Primary and Secondary Schools
24	Develop and adapt pupil and staff incentive schemes

18 JUNE 2007

REPORT BY DIRECTOR OF TECHNICAL SERVICES

GROUNDS MAINTENANCE TRADING OPERATION

1 Purpose of Report

- 1.1 **To update the members of the Trading Operations Sub-Committee on the performance of Ground Maintenance for the period 1st April 2006 to 31st March 2007 and an update on current issues for 2007/08.**

2 Business Performance and Monitoring 2006/07 Financial Outturn

- 2.1 The Grounds Maintenance trading operation performed contracted maintenance mainly for Parks and Open Spaces and Burial Grounds and also for local housing associations and private individuals in 2006/07.
- 2.2 The section continues to monitor performance in all areas ensuring that all customer complaints are recorded and addressed. We will continue to benchmark performance against other councils contributing data to the APSE performance network. This allows us to focus on areas where we need to improve our competitiveness.
- 2.3 Appendix 1 provides an analysis of income and expenditure for the year with a net break-even position achieved as forecast. External income is £55k less than forecast due to the loss of an NHS contract (£35k) and a general reduction in external ad-hoc work in the year. Expenditure on employee costs has a corresponding reduction of £53k with other small variances being recovered from additional client charges.

3 Business Update

- 3.1 The section has now started its summer program with seasonal employees having been recruited and trained to commence from April. Recruitment of seasonal staff is proving extremely difficult with increased competition from the retail sector. Permanent trainee gardeners are currently being recruited with the posts being established under the Modern Apprenticeship scheme with formal training to achieve an SVQ in horticulture being provided. It is planned to extend the employment period for seasonal staff in 2007 to ensure resources are available to cope with an extended growing season as experienced in 2006. Additional funding was secured in the 2007/08 budget to fund this initiative.
- 3.2 Core skills training as detailed at the meeting of 12th March 2007 have been completed for permanent staff 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 Appraisals of all full time manual staff have been undertaken in the first quarter of the year.

3.4 Re-tendering for external contract work for the 2007/08 season is now complete with terms of business changed to cash in advance where possible. A 7.5% price increase has been applied to all contracts with none declined. The SBHA contract which accounts for approx. 70% of external income is due for renewal next year.

3.5 Preparations are underway for the provision of summer bedding plants. However for the longer term and with the closure of the GlenCraig nursery, a number of options are being considered including buying in plants or a full or partial relocation of the nursery facility. A full report on bedding plant procurement is being prepared for the Trading Operations Standards sub-committee and the Executive Committee for consideration.

4 Issues and Risk Commentary

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

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

5 Consultation

5.1 The Heads of Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report. Head of Corporate Finance has also been consulted and his comments will be tabled at the meeting.

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 Financial implications and Summary

8.1 The Grounds Maintenance trading operation is forecasting a surplus of £24k for 07/08

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
Jason Hedley	Parks Manager

Associated Papers: Appendix 1, 2 & 3.

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Collette Lamb can also give information on other language translations as well as providing additional copies.

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REVENUE OUTTURN MONITORING 2006/07

TECHNICAL SERVICES TRADING OPERATION - GROUNDS MAINTENANCE

Description (1)	Actual Expenditure/ Income (2) £ 000	Projected Outturn (3) £ 000	Projected over/(under) spend after virement (5) - (6) (7) £ 000	Comments on outturn and virements
Income				
Internal Charges	(3,006)	(2,981)	(25)	
External Charges	(352)	(407)	55	£55K lower external income than planned due to decline in external contracts
	(3,358)	(3,388)	30	
Expenditure				
Employees	2,273	2,325	(53)	Continued difficulties in recruitment, particularly seasonal staff
Premises Related Expenses	63	60	3	
Transport Related Expenses	800	798	2	
Supplies & Services	72	67	6	
Payments to Other Bodies	45	33	12	Tip Costs £14K over budget
Interest Charged	0	0	0	
Central Support Charges	74	73	0	
Asset Rentals	32	32	0	
	3,358	3,388	(30)	
Net (Surplus)/Deficit	0	0	0	