

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 19 June 2007 at 2.10
p.m.

Present: - Councillors M. Cook (Chairman), J. Brown, N. Calvert, J. Fullarton, G. Garvie, K. Gunn,
L. Wyse.
In Attendance:- Director of Technical Services, Head of Corporate Finance, Head of Roads and Fleet,
Fleet Manager, SBc Contracts Manager, Acting Head of Catering and Cleaning,
Business Support Officer, Catering and Cleaning, Business Manager, Roads and Fleet,
Parks Manager, Business Support Manager Corporate Finance, Committee Officer, (H.
Reid.)

CHAIRMAN

1. The Chairman welcomed Members to the first meeting of the Trading Operations Sub-Committee of the new Council. Members and Officials introduced themselves to the Committee.

MINUTE

2. There had been circulated copies of the Minute of 12 March 2007.

DECISION

NOTED:

(a) the Minute of Meeting of 12 March 2007; and

(b) that the information requested at that meeting would be detailed later on the agenda.

SBc CONTRACTS SIGNIFICANT TRADING OPERATION

3. There had been circulated a report by the Director of Technical Services on SBc Contracts Trading Operations Financial outturn for 2006/07, which also updated Members on trading issues for 2007/08. Appended to the report was an analysis of the variance between the income and expenditure achieved at £333k compared to the projected outcome reported at the February Trading Sub Committee meeting of £282k for the period 1 April 2006 to 31 March 2007. A higher than expected level of activity in the final quarter had contributed to increased profitability and turnover. The level of surplus generated over the last ten years trading was also detailed. SBc Contracts expanded its turnover by 6% in 2006/07 to reach its highest ever level of £24.12 million, which exceeded the turnover predicted at the February meeting, based on figures up to the end of December 2006. The SBc Contracts Manager explained that 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 with additional work also having been carried out for AMEY in the run-up to the end of their trunk road contract. The additional turnover had been achieved with a 3% decrease in average employee numbers compared to the previous year which had contributed to an increase in sales per direct employee to £115,416 per person. It was noted that whenever possible, SBc took opportunities to sub-contract elements of its workload to local companies which not only helped the local economy but also enhanced the surplus potential. Details of the main income in 2006/07 arising from council work across the Borders and from external clients were highlighted. The Contracts tendered and won, Future Workload and Workforce Expansion were discussed. The contract awarding SBc Contracts the trunk road winter maintenance work on behalf of BEAR for the coming 5 years had now been completed. The surfacing work on the trunk road network had been awarded to Aggregate Industries who had indicated that they would like to

sub-contract surfacing work on trunk roads within the Borders to SBc Contracts. Discussion also took place on the two charging structures for internal and external clients and the historic method of loss adjustment through surpluses.

DECISION

- (a) NOTED the report;**
- (b) APPROVED the projected outturn as revised approved budget;**
- (c) AGREED that a more realistic projection surplus be included in the figures to be submitted to the next meeting; and**
- (d) AGREED that a report detailing different recharging systems (internal and external) be remitted to a future meeting.**

FLEET MANAGEMENT

4. There had been circulated a report by the Director of Technical services to update Members on the performance Fleet Management Trading operation from 1 April to 31 March 2007 and on current issues for 2007/08. The Head of Roads and Fleet explained that appended to the report were details of an analysis of the variance between the surplus achieved of £80K and the projected surplus reported at the February Trading Sub Committee meeting of £50k. This stronger than expected surplus performance, was due to a combination of several factors which had occurred since the last Trading Committee meeting including additional income of £27k from the fuel system uplift; the Fleet sales income being expanded by 8.0% in 2006/07 to £3.28 million and Fleet internal productive hours in 2006/07 reaching 37,551 a rise of 1.7% on the 36,909 hours generated the previous year. It was noted that additional income had been achieved due to the increase in product capacity by recruiting additional fitters in the knowledge that some existing staff were planning to leave. A new wage structure has been agreed for apprentices and two apprentices had been recruited for the fabrication workshop in Newtown but retention of qualified staff remained difficult with two staff resigning in June. Consideration would 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. Work on the Joint Vehicle Procurement initiative was progressing with Fleet Managers from 12 different local authorities in Scotland having noted interest and expressed a desire to participate in a joint vehicle procurement programme. The operation continued to absorb the infrastructure costs of the council's fuels storage and delivery systems but high replacement costs were expected to be incurred in 2007/08 by replacing underground fuel storage tanks, which were now deteriorating in condition. Members asked questions on the replacement costs and on difficulties of storing both diesel and petrol. The issues regarding phase two of Newtown Workshop Development were also discussed.

DECISION

- (a) NOTED the report;**
- (b) APPROVED the projected outturn as revised approved budget; and**
- (c) AGREED that for a future meeting the Director submit a report, outlining the problems of the service and suggesting various options to rectify the position.**

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 March 2007 which also updated on issues for 2007/08. Appended to the report was an analysis of income and expenditure for 2006/07 compared to budget. The Acting Catering and Cleaning Manager explained that income for the year of £4,547k was £39k less and expenditure of £4,550 and was £18k less than previously reported, which had resulted in a deficit of £3k and a variance of £21k from the surplus projected at the February Trading Sub Committee. The variance could be attributed to the reduction in income in High Schools as a result of the full implementation of Hungry for Success

and on a reduction in external cleaning contract income due to loss/reduction in contracts compared with the budget projection. Details with a view to ensuring value for money in food costs; 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 were all discussed with Members questions being answered. It was noted that developments were proceeding towards reviewing individual school and contract profitability and planning to move towards break even for all areas of the business and that 2007/08 monitoring reports on this information would be provided to subsequent Trading Sub-Committees. A procurement open day had been held on the 19th March when local supplier, farmers and growers were invited to meet procurement officers. 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 was expected to conclude its findings in August. Funding had also been secured for improving furniture in the Secondary Schools with a report on detailed proposals for the introduction of the Cashless Catering System for Secondary Schools to be submitted to Executive on 14 August 2007. Members discussed the take up of the school meals and the difficulties involved encouraging children in the uptake of school meals.

DECISION

(a) NOTED the report; and

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

MEMBER

Councillor Garvie left the meeting during consideration of the following item.

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 2006 to 31 March 2007 and on current issues for 2007/08. The Parks Manager explained that 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. Appended to the report was an analysis of income and expenditure for the year detailing a net break-even position. External income was £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 had a corresponding reduction of £53k with other small variances being recovered from additional client charges. The section had now started its summer program with seasonal employees having been recruited and trained to commence from April 2007. Recruitment of seasonal staff was proving extremely difficult with increased competition from the retail sector. Permanent trainee gardeners were currently being recruited with the posts being established under the Modern Apprenticeship scheme. It was planned to extend the employment period for seasonal staff in 2007 to ensure resources were available to cope with an extended growing season as experienced in 2006, with additional funding having been secured in the 2007/08 budget to fund this initiative. Re-tendering for external contract work for the 2007/08 season was 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. It was noted that the SBHA contract which accounted for approximately 70% of external income was due for renewal next year. Discussion took place regarding the provision of summer bedding plants and on the options being considered as a result of the impending closure of the Glenraig Nursery. Members also discussed the collection of grass cuttings especially on the A68 a main artery through the Borders.

DECISION

(a) NOTED the report;

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

- (c) **AGREED** that for the next meeting a report be prepared to take forward the possibilities and the practicalities of grass cuttings being lifted with a view to any proposals being implemented for the next growing season.

THE ROLE OF THE COMMITTEE

7. Members discussed the role of the Committee and the means whereby the considerable information provided could be utilised by the Committee for the benefit of the Council by means of recommendations to Executive.

DECISION

AGREED:-

- (a) that at the next meeting discussion take place, with a view to adopting a strategy for a review on one particular area of service; and
- (b) that a report be prepared for the October 2007 meeting of the Committee on the proposals.

The meeting concluded at 3.55 p m