

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

28th August 2007

REPORT BY DIRECTOR OF TECHNICAL SERVICES

SBc CONTRACTS TRADING OPERATION

1 Purpose of Report

- 1.1 To update the members of the Trading Operations Sub-Committee of the activities of the SBc Contracts trading operation for the period 1st of April to 30th of June 2007.**

2 Background

- 2.1** SBc Contracts is the councils only Significant Trading Organisation and performs a range of capital and revenue contracted and ad-hoc roads related maintenance and construction work for Network Roads, other SBC departments, other public sector bodies, and a wide range of external companies and private individuals.

3 Business Performance and Update

3.1 Workload:

SBc Contracts has had a very successful first quarter in terms of tenders, winning a further £5.6 million of tendered work at a success rate of 37% on value. This compares very favourably with the same period last year when only £2.5 million of work was won at a success rate of 39% on value. This new work won coupled with the high level of tender work secured in 2006/07 supports our belief that SBc Contracts will exceed last year's turnover in this financial year.

	Apr-Jun 2007	Apr-Jun 2006
Number of tenders completed	235	200
Number of tenders confirmed as won	73	94
% Success	31%	47%
Value of tenders completed	£15.1m	£6.3m
Value of tenders confirmed as won	£ 5.6m	£2.5m
% Success	37%	39%

We are now beginning to receive the first trunk road surfacing work from BEAR which is being awarded to SBc Contracts through the BEAR sub-contractor Aggregate Industries. In the first quarter expenditure on work undertaken for BEAR was only £28k compared to a value of £348k for AMEY work undertaken during the same three months last year. We expect the volume of surfacing work awarded to us by Aggregate Industries to increase over the coming months. We also remain in direct discussions with BEAR on undertaking a range of other road and street lighting works

in the Borders on their behalf. The relatively slow start on trunk road work arising from BEAR has allowed us to press ahead planned internal client works on the local road network arising from the revenue budget and the additional £3 million in the capital programme. The additional capital programme work on surface dressing and surfacing has been hampered to a certain extent by the very wet summer weather. Major works are also underway as part of the additional £3 million capital programme. The larger scale of these works allow more efficient and effective methods such as more extensive use of machine patching to be employed to the benefit of the roads client.

3.2 **Budget:**

We are currently increasing our direct manpower closer to our budgeted establishment figure. This should help to increase the volume of work under-taken in-house and boost our labour recovery performance in the coming months at the expense of some sub-contracting.

The business remains on target to meet our 2007/08 budgeted surplus target of £318k.

3.3 **Updated Projections:**

Based on the most recent financial information arising from our analysis of trading between April and June, the business has started the year strongly. Despite an expected downturn in the overall level of trunk road work available this year due to the change of trunk road contractor, see point 3.1, we expect SBc Contracts to surpass the record turnover of £24.12 million generated in 2006/07 and achieve a turnover of £24.4 million in this financial year. The gap caused by the decline in available trunk road work is being bridged by the capital programme works and winning additional external tendered work as highlighted under point 3.1.

We further expect the 2007/08 surplus target of £318k to be met. Full analysis based on the current monitoring round, which is still in progress at the time of writing, will be provided at the next trading sub-committee meeting.

3.4 **Resources:**

Following the recommendations made in a report by our Asset Management and Building Maintenance department some two years ago there is now a planned programme to maintain and improve our depot facilities in line with the reports recommendations. The latest improvement will be the replacement of our Peebles depot with the new Eshiels facility. Improvements were effected last year with regard to our Duns depot.

3.5 **Staffing:**

As advised at the previous meeting, we have been actively recruiting additional employees to replace workers lost over the last 12 months and to ensure that we can fulfil our future order book. The latest recruitment exercise has been relatively successful and we have made offers of employment to 20 applicants who will be taken on over the coming weeks pending successful reference checks. We have however since lost a further two members of our existing staff. SBc Contracts currently have 224 employees and still remain five posts below our budget establishment figure of 229. These new employees should contribute positively to this year's financial outcome by boosting our labour account recovery and reducing our reliance on sub-contractors.

3.6 Training :

The training of our workforce to undertake a range of appropriate SVQ's and CPCS accreditations remains an on-going commitment. An additional three members of SBc Contracts staff employees have now embarked on SVQ's and we have also identified a further four estimators and surveyors within the department who would also benefit from appropriate SVQ's and it is our intention to undertake this in the near future.

The training portacabin at our Newtown depot is now in a very poor condition and is becoming increasingly unfit for purpose and leaking rainwater. This was a second-hand unit relocated from Peebles which is now effectively at the end of its useful life. A decision will have to be made about finding a suitable replacement for this portacabin which should incorporate appropriate storage, welfare and office facilities.

3.7 Health and Safety ;

SBc Contracts was recently involved in a court case relating to an incident which occurred when an elderly pedestrian had a fall at one of our road works sites in Kelso. SBc Contracts were found guilty of a breach of the Health & Safety at Works etc. Act 1974, and fined a total of £2,500 as a result of the court case which followed. The offence involved carried a maximum penalty of a £20,000 fine, but the court took full account of the mitigating factors we had cited and the range of measures we had taken to prevent such an incident, when setting the level of the fine.

To prevent any further occurrences of this type we will now be making even more extensive use of barriers around the site of works. We have in addition increased our training and frequency of site audits.

Due to Health and Safety legislation it is expected that in future road works are likely to lead to more road closures in order to comply with regulations on available carriageway widths during road works.

4 Financial Implications

4.1 It is expected that SBc Contracts will meet its budgeted trading surplus of £318k in the current financial year.

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 There are no environmental issues directly associated with this report.

8 Risk Commentary

8.1 Attracting and retaining employees and staff remains an on-going risk. The final outcome of the job families re-structuring is still awaited and remains a potential risk for SBc Contracts.

8.2 Health & Safety issues can also pose a risk to all contracting organisations such as SBc. We have invested heavily in the training of our workforce and try to learn lessons from any incidents which do occur in order to mitigate and minimise these risks, going forward.

9 Summary

- 9.1 Contract work is progressing well and the order book for the period ahead is strong. The recent recruitment drive has gone well and the additional employees who will be joining us will give us the capacity to undertake more work in-house instead of relying so heavily on sub-contractors.
- 9.2 First quarter work has started well and the business looks to be on course to achieve its budgeted £318k level of surplus for this financial year.

10 Recommendations

10.1 I recommend that the Trading Operations Sub-Committee:

- (a) Agree the contents of this report

Approved by

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

Author(s)

Name	Designation

Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference:

28th August 2007

REPORT BY DIRECTOR OF TECHNICAL SERVICES

FLEET MANAGEMENT TRADING OPERATION

1 Purpose of Report

- 1.1 To update the members of the Trading Operations Sub – Committee of the activities of the Fleet Management trading operation for the period 1ST of April to 30th of June 2007.**

2 Background

- 2.1 Fleet Management DSO is a trading organisation which provides vehicle procurement, fleet management, vehicle maintenance and a repair service for SBc Contracts, and a range of other SBC departments as well as some external private clients.**

3 Business Performance and Update

3.1 Workload:

We have recently made proposals to both Eildon Housing and to Borders College to undertake maintenance on their respective vehicle fleets. In the case of Eildon Housing a fleet of 7 new light commercial vehicles is involved. We currently maintain 3 coaches for Borders college and they are considering extending this to cover an additional 12 minibuses. The volume of additional work is not large but does represent two important local clients with whom we have been trying to develop a working relationship for some time.

However there are now questions marks as to whether or not we will be able to undertake this or any other external work given the reduction in productive capacity we have experienced over the last month, as a result of the loss of six skilled fitters outlined under point 3.5 of this report. The short to medium term commitment on these vehicles is low and the risk of adding to any backlog is minimal as the contract can be terminated by either party with 1 months notice. We would hope to address the workload issues arising under point 3.5 in the near future, in the meantime there is still no firm commitment made by either client to place this work with us.

General workload in the form of Contract and Day-works will continue to be monitored closely on a monthly basis to identify any shortfalls that might arise from current capacity restrictions.

3.2 Budget:

The issues discussed under point 3.5 related to staff retention has budgetary implications for Fleet Management. No budget has been allocated in 2007/08 to pay for a market related wage supplement. A change of this nature would adversely affect the budgeted surplus unless passed on in the form of higher charge-out rates which would also have budgetary consequences for our internal clients. The magnitude of these consequences will be quantified as soon as the level of the premium has been

confirmed and final agreement to implement it given. We would hope to report on this in more detail at the next trading committee meeting.

3.3 **Updated Projections:**

Projections are still under preparation as part of the current budget monitoring round and will be reported in full at the next Trading Committee meeting. The data available for the first quarter of the year indicates that the surplus would be around £2k lower than the budget of £25k.

However, we are concerned that the loss of fitters which has occurred subsequently will lead to budget surplus pressure in the coming months. This pressure could arise from either declining income as a result of restricted capacity or from the future costs involved in finding a solution to the capacity problem. The situation will be monitored closely and reported on further at future Trading Committee meetings.

3.4 **Resources:**

Resources are required to undertake essential depot upgrading work at the Newtown and Duns depots.

The Duns depot is suffering from major drainage and sewage problems in the old facility. The sewage system backs-up on occasions filling the vehicle pits and preventing their use by fitters. The workshops also need major refurbishment to meet health and safety requirements. The underground fuel tanks and pumps need to be replaced to avoid future pollution issues, similar to those recently experienced at the Langlee Re-cycling facility, and to take advantage of new fuel monitoring technology.

The first phase of the Newtown depot upgrade was completed in 2005 which allowed the closure of the Galashiels depot and the transfer of staff to Newtown. Phase 2 has yet to be undertaken. This will involve upgrading the vehicle maintenance and fabrication workshops and the installation of above ground fuel tanks. Phase 2 also incorporates an upgrade to our Workshop stores which are inadequate for a modern operation and for our future needs. Fleet proposes to undertake MOT testing on council light commercial vehicles and it is important to facilitate the introduction of in-house MOT testing with the necessary investments. It is also proposed to investigate the viability of using solar and wind energy systems to heat and light the premises.

These depot resource requirements will be the subject of a forth-coming report to the Capital Management Group which will include a full costing of the requirements.

3.5 **Staffing:**

The issue of retaining skilled workers, which was discussed on several occasions at Trading Committee meetings last year, is again proving to be a major issue. In the past four weeks we have lost 6 skilled fitters who have left our employment. In addition a seventh fitter is ill and we expect this to result in early retirement. This will leave the overall number of fitters employed in our workforce at only 12 against a budgeted establishment of 20. This is a very significant productive capacity shortfall which will impact on the service we can deliver and eventually on our costs and financial performance. This level of in-house capacity reduction will lead to under-recovery of our fixed overhead costs and possible backlogs of work for our clients. Although this can be partially offset in the short-term by higher overtime levels this carries a cost premium which is not budgeted for. Our ability to sub-contract work as a means of avoiding a workload backlog is also quite limited due to a lack of suitable capacity available locally.

We are making immediate efforts to try and fill these vacancies but past experience suggest that this will not be easy in the current marketplace where our rates of pay are seen by qualified fitters as lower than those attainable in the private sector and elsewhere. We have therefore urgently sought agreement with HR to pay a market wage supplement in an effort to stem the loss of fitters and improve the prospects of recruiting and retaining staff. We have been assured by HR that the interim premium

being sought does not breach the expected wage that will be awarded to this group as part of the job families restructuring. The premium being sought to rectify the staff retention problem will however have adverse implications for this year's Fleet Management surplus target. As mentioned under 3.2, if additional costs were passed on to our clients by charging higher rates this would have adverse budgetary consequences elsewhere within the council. This will be fully quantified when final agreement is reached and reported on at the next trading committee meeting.

3.6 **Training:**

Courses are being sought for the fabrication apprentices. Members of Fleet management staff will attend procurement training as required by central procurement, and the McClelland Report. Driver awareness and training provided by Fleet management is being reviewed to include advice on driver reversing using video and Power-point presentations.

Our in-house and external fitter training matrix is reviewed annually as part of our PPDPP and evaluated by BSI and Internal Audit.

3.7 **Health & Safety:**

A number of issues with regard to depot safety remain outstanding and can only be addressed by appropriate capital investments at the Duns, Newtown and depots as outlined under point 3.4. We are aware there are potential Health, Safety and Welfare issues at both these depots which could ultimately lead to HSE prohibition notices that might close down depot activity. Recent HSE policy focusing on vehicle movements within sites, particularly when reversing, indicates a change in emphasis towards this area.

A dangerous goods incident occurred at Galafoot on Monday 30th July where a vehicle fitted with a chemical store was burgled and set on fire. The chemical stored on the vehicle was thrown over the cab by the perpetrator(s), and emergency services issued a warning through the media as the individual(s) involved could have been at risk from the chemical involved. At this time there has been no response from any member of the public to the warning issued. The matter is the subject of an internal Health and safety investigation and in the meantime no chemicals are to be stored on the vehicles.

There are also a number of welfare issues related to the Newtown depot office accommodation. This comprises two rented portacabins which provide basic and cramped accommodation and is remote from the workshop. There are no messing facilities whatsoever for staff who must cross the compound in all weather to the main office block. Toilet and wash room facilities for fitters and apprentices are located 150 metres further away.

Fleet management have been tasked with introducing a method of reducing accidents within SBC. Glasgow Council has a robust accident reduction scheme in place which Fleet management propose to introduce in a revised format for our needs. The introduction is planned for October of this year.

4 **Financial Implications**

4.1 No financial implications arising from first quarter trading. The sudden decline in fitter numbers is threat which will be monitored carefully for any future negative financial implications.

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 There are no environmental issues directly associated with this report.

8 Risk Commentary

8.1 The staffing issue highlighted under point 3.5 could pose a risk to future financial performance and the service delivered to SBC vehicle users if it is not rectified.

8.2 There are an on-going Health & Safety risks and welfare issues at both the Newtown and Duns depots which can only be addressed by suitable capital investments to rectify the points highlighted under sections 3.4 and 3.7 of this report.

9 Summary

9.1 There has been an alarming and sudden decline in the number of fitters currently employed. This is an issue that needs to be addressed quickly as it poses both financial and service threats for Fleet Management. Recruitment and retention has been an issue for some time and is now becoming acute. A remedial measure under consideration to rectify this problem is the payment of a market rate premium.

10 Recommendations

10.1 I recommend that the Executive:

(a) Agree the contents of this report

Approved by

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

Author(s)

Name	Designation

Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference:

28th August 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 operations for the period 1st of April to 30th of June 2007.

2 Background

- 2.1 Catering and Building Cleaning trading operation provides school catering and cleaning services, internal and external cleaning contracts to a range of buildings, hospitality catering, and specialist cleaning services.

3 Business Performance and Update

3.1 Workload:

3.1.1 Scottish Executive Free Meal Pilot for Primary 1 - 3

The Scottish Executive has chosen Scottish Borders Council as one of the five Scottish authorities to pilot free school meals for Primary pupils in years one to three.

The pilot project will target some of the most vulnerable pupils as part of the Governments initiative to improve Scotland's health and encourage good eating habits from a young age.

The Minister for Schools and Skills, Maureen Watt visited Scottish Borders on the 11th July to launch the initiative at St Cuthbert's Primary School, Drumlanrig.

The pilot is scheduled to start in mid October 2007 and will run for a six month period until March 2008. The Scottish Executive has advised the Council that they will fund the projects and have identified an approximate sum of £593,000. The funding will be provided through a specific grant in two instalments, one in September and one in December. They have said that if their estimated costs differ significantly from the actual costs as the trials unfold, then they will consider what adjustments are required. They are assuming an uptake of 85% pupils taking free school meals and the figures take account of those pupils already in receipt of free school meals.

The Executive have assumed an uptake of 85% pupils taking the free meals, so based on this information, a desktop exercise has been undertaken to calculate the additional staffing requirements to provide the service and the additional costs of food supplies, additional running costs and one off items of equipment required. A detailed report setting out the proposed expenditure plans will be drawn up in consultation with Corporate Finance to be presented to Senior Managers and Members, by mid September.

The uptake of meals in 2006-2007 in Scottish Borders Primary Schools was 36% take-up of the primary school population. If as the Scottish Executive predict, 85% of the P1

– P3 pupils were to stay for lunch then the projected meal numbers would rise significantly.

Senior officers from ELL and Technical Services have formed a Project Group to manage the project and have developed an Action Plan which has identified the issues which need to be taken into consideration and a number of resource implications have already been identified. Officers are in contact with the Scottish Executive who are appointing consultants to manage and monitor the project, and with other Councils involved in the pilot.

The most immediate concerns are the lack of kitchen production capacity, insufficient chilled and frozen food storage capacity, insufficient dining room capacity and the difficulties in employing sufficient additional experienced and trained catering staff to cater for the pupils.

It may be necessary to consider whether additional or alternative processes to those normally used to recruit the staff will be necessary since this will be key to success by the date anticipated by the Scottish Executive. It is anticipated around 26 new staff and a similar number of increases in working hours will be required.

3.1.2 Operational Action Plan

A copy of the Catering and Cleaning Services Business Action Plan for 2007 -2008 is attached as appendix 1 to this report.

3.1.3 Menu Planning

Following on from the menu planning workshop held in May 2007, a revised protocol has been developed for the planning of the primary school menu and this is currently being piloted as we plan the new Autumn and Winter 2007-2008 Primary School Menu.

In the past, considerable emphasis has gone into a menu that was nutritionally very strong but contained food choices that were unpopular with the pupils. Information has been collected from pupils and parents as well as the views of the school catering managers about the pupils the specific likes and dislikes. There was clear evidence that pupils were refusing to stay for a school lunch on certain days in the week and this is reflected in a lower than expected uptake of school meals on those days.

The new menu is being designed to provide the pupils with nutritious food but more importantly to ensure that there are food choices on every day that will appeal to the pupils.

When the new menu is introduced in October 2007 the take-up of meals and the food choices being made by the pupils will be carefully analysed to assess which dishes are popular and which choices the pupils simply do not like.

The Menu Planning Protocol has several review processes built in to ensure that there is sufficient consultation with all stakeholders including the pupils, to ensure the nutritional standards and the acceptability of the menu to the pupils is kept in balance.

3.1.4 Hungry For Success

In order to implement the key recommendation under the Hungry for Success Initiative a seven point project plan has been developed by ELL in consultation with Technical Services.

The Hungry For Success 2007-2008 Project Planner has seven project areas:-

- Developing an Approach for Specialist Diets
- Structured Process for Consultation with Schools, Parents and Pupils
- Menu Development and Nutritional Analysis

- Promotion and Incentive Scheme
- Investigation of Cashless Catering and Nutritional Software Systems
- Monitoring of Quality and Audit of Catering Services.
- Process for HMIs Inspections

3.1.5 **Food Procurement Contracts (Fresh Meat, Fresh Fruit, Fresh Vegetables, Fresh Hens Eggs, Fresh Milk and Dairy Products, Fresh Fish and Bread and Bakery Products**

The closing date for tenders was the 22nd June 2007 and tenders have been through part one of the evaluation. The product sampling and supplier audits have been completed and the preferred suppliers have been short listed for interview.

3.1.6 **Cashless Catering**

A proposal to commence the implementation of cashless catering was reported to Executive on 14 August 2007. A project plan is being commenced to consult on the best way forward, and further detail will be reported to a subsequent Executive Committee.

3.2 **Budget**

Detailed budgets will need to be established for the Free School Meals pilot.

A £55k budget trading surplus has been set for the year.

3.3 **Updated Projections**

Projections are still under preparation of the current budget monitoring round and will be reported in full at the next Trading Committee meeting.

There are pressures on the surplus due to the impact of food cost inflation as a result of weather conditions, and due to loss of income on some contracts which was a factor in the loss of surplus during the 2006/07 financial year.

3.4 **Resources**

There is a proposed upgrading of Melrose Grammar School kitchen, which is part of the Hungry for Success programme, to be undertaken during the Autumn of 2007, it is proposed that if possible this should be complete before the Free Meals Pilot is introduced.

Tenders have been received for the new kitchen for Denholm School as part of the overall rebuild project.

A review is currently underway of equipment requirements for the free meals pilot, the trading operation is reviewing the kitchen equipment, and ELL is reviewing needs in dining rooms.

3.5 **Staffing**

A review of the salaries for the High School Catering Managers is being considered. Two managers have resigned and the posts have been advertised, but there have been no applicants.

Work has been underway to review and allocate all posts into new job roles as part of the Single Status project.

As mentioned above there will be a significant impact on staffing as a result of the Free School Meals pilot.

3.6 Training

HACCP and customer care training has been undertaken. The managers are currently investigating programmes for craft, nutrition and managerial skills.

3.7 Health and Safety

A programme to develop a consistent approach to risk assessment is currently being developed.

4 Financial Implications

4.1 There are significant financial implications to the introduction of the Free School Meals pilot, which is hoped should be self funding, continuing discussions with the Scottish Executive should clarify this position as the pilot progresses.

There are some other pressures on the trading surplus, but it is hoped that these can be contained within the service overall or otherwise within the overall Technical Services Budget.

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 There are no environmental issues directly associated with this report.

8 Risk Commentary

8.1 There is a detailed risk assessment being prepared as part of the Free School Meals pilot.

8.2 The APSE review should help to identify and alleviate risks to the service.

9 Summary

9.1 There are a significant number of operational changes currently affecting the service. The input from the APSE consultant, John Bedwell and HR Advisor, Jamie Ward has been significant, but there will continue to be demands on the team over the next few months to continue to deliver the service in a time of continuous change.

10 Recommendations

10.1 I recommend that the Trading Operations Sub-Committee

(a) Agree the contents of this report

Approved by

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

Author(s)

Name	Designation
Vivianne Buller	Interim Manager

Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference:

Catering and Cleaning Services Business Action Plan for 2007- 2008

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) Develop the Vending Policy
17) Promote and market hungry for success
18) Undertake Training Needs Analysis
19) Develop procedure for specialist diets
20) Develop and adapt pupil and staff incentive schemes

28th August 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 of the activities of the Grounds Maintenance trading operation for the period 1st of April to 30th June 2007.**

2 Background

- 2.1** The Grounds Maintenance trading operation performs contracted and ad-hoc maintenance mainly for Parks and Open Spaces and Burial Grounds and also for local Housing Associations and private individuals.

3 Business Performance and Update

3.1 Workload

The section is carrying out its summer maintenance programme including grass cutting and collection, flower bed maintenance, weed control and litter picking. Additional budget funding of £35,000 to increase the frequency of grass cutting in cemeteries from previous years is being used to fund increased overtime being worked allowing the section to improve the utilisation of equipment.

The section continues to monitor its performance in all areas. In monitoring business performance the section has again contributed data to the APSE performance network for 2006/07 and when results are published later in the year the section will be in a position to bench mark results with comparable local authorities.

Grounds Maintenance current contract with SBHA, ends on 2nd of March 2008 and if not renewed would result in an income reduction in the current year. We are currently in negotiation with SBHA to extend this contract.

3.2 Budget

A £29k budget trading surplus has been set for the year.

3.3 Updated Projections

The section is currently forecasting a trading surplus of £7k for the year.

3.4 Resources

A report on the future sourcing of plants previously grown at the Glenraig Nursery in Peebles is being prepared and will be presented to a future trading operations sub-committee meeting.

3.5 Staffing

The section has 86 full time permanent manual staff and recruits 50 seasonal staff for approximately twenty six weeks per year to cover the increased work load during the growing season. The recruitment and retention of seasonal staff continues to present a challenge to the section and the use of agency staff may have to be considered to fill short term seasonal vacancies in future years. The particularly wet weather conditions in the first quarter have made staff planning particularly difficult.

4 apprentices have been recruited and their induction has taken place. Applications for the four posts were received from in excess of 70 applicants. These are initially two year fixed term contracts, funded through natural wastage of other posts.

3.6 Training

Core skills training continues to be delivered to all staff in the section. An application has been lodged with Investors in People for accreditation.

3.7 Health and Safety

The health and safety arrangements in the section are currently under review. A programme of training and reassessment of health and safety assessments relevant to the section is ongoing; these include 40 generic risk assessments, 50 COSHH assessments, 30 manual handling assessments. These reviews are annual and are due to be completed by the end of the year.

4 Financial Implications

4.1 The budget trading surplus of £29k has been reduced to a forecast trading surplus of £7k following a revision of the income forecast for the year.

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 The area had 21 entrants (up from 17 in 2006) in the Scotland Floral Gateway competition and 2 entrants in the national Beautiful Scotland competition (Galashiels and Peebles) the second round of the competition being judged on 6th August. The Ground Maintenance team continue to assist local communities who participate in civic award schemes and competitions and are encouraged by the increasing participation of communities. A presentation on the civic schemes will be given by the Parks and Open Spaces Manager.

8 Risk Commentary

8.1 Recruitment and retention of seasonal staff remains a challenge for the section, due to competition in the local employment market.

8.2 Risks associated with the closure of the GlenCraig nursery are considered to be

minimal following a thorough review of options.

- 8.3 Two significant contracts with local RSLs are due for retendering this financial year, Elidon Housing association and SBHA. The latter has initiated a discussion over a contract extension.

9 Recommendations

9.1 I recommend that the Trading Operations Sub-Committee:

- (a) Agree the contents of this report

Approved by

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

Author(s)

Name	Designation

Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference: