

24th October 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 31st of August 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 continued to have success in tendering for external work. In the first five months of this fiscal year a total of £6.4 million of tendered work has been won at a success rate of 32% on value. This compares favourably with the same period last year when £5.5 million of work was won and strongly ahead of the position in 2005 when £2.8 million of work had been won. Although last years success rate of 44% is considerably higher, as always there remain a number of tender decisions in the current year where the client has yet to make the final award of contract. Success in some of these will further boost the value of work won and the overall success rate.

	Apr - Aug 2007	Apr - Aug 2006	Apr - Aug 2005
Number of tenders completed	387	331	300
Number of tenders won	120	145	164
% Success rate	31%	44%	55%
Value of tenders completed	20.2	14.3	6.4
Value of tenders won	6.4	5.5	2.8
% Success rate	32%	38%	44%

Trunk road work orders through BEAR via their sub-contractor Aggregate Industries continues to be very slow. In the first five months of this fiscal year work undertaken for BEAR amounted to only £56k compared to a value of £1,463k for AMEY work undertaken during the same five months last year. The 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. It must be stressed that this switch in workload composition does have adverse margin implications for SBc Contracts.

3.2 **Budget:**

SBc Contracts is forecasting that it will meet its revised surplus target of £357k subject to the interest charge issue referred to under point 3.3 being resolved corporately.

3.3 **Updated Projections:**

Appendix 1 shows the updated SBc Contracts financial results agreed at the last budget monitoring round.

3.4 **Resources:**

We intend to make use of the newly available council credit card payment facility within SBc Contracts. We foresee benefits in making an integrated credit card payment facility available at the Langlee re-cycling facility where we have around one thousand small transactions each year from clients. This arises either from clients paying to deposit waste materials or purchasing relatively small quantities of re-cycled aggregates. We expect this volume of transactions to grow as a result of our enhanced recycling capacity at Langlee. This credit card payment facility will reduce the number of small value invoices to be processed by our costing staff, speed-up payments and income receipts and provide our clients with a convenient instant payment facility which they have been requesting for some time.

Credit card payments received will be eventually be interfaced directly to our own systems via a planned broadband connection.

3.5 **Staffing:**

SBc Contracts now has 219 manual workers in place against a budgeted establishment figure of 228. This is a comfortable increase on the level of 206 manual workers available at the start of this financial year which should help to boost our labour account recovery performance in the second half of this year.

3.6 **Training :**

We continue to develop our training facilities. We have recently installed a section of road at our Langlee training facility to help with the practical training of our roads workers. It is planned in the near future that a deep manhole unit and pipe section will also be installed to allow us to undertake confined space training.

We currently have two SQA and CITB fully accredited trainers. It is known that the SQA is planning to channel their future training only through designated training centres. We are hopeful that the development efforts and emphasis placed on training within SBc Contracts, together with our upgraded facilities will make Langlee a natural choice as one of these designated training centres.

3.7 **Health and Safety ;**

SBc Contracts has seen a significant drop in the level of accidents which required to be reported to the HSE which is down from 9 last year to only 4 so far in the current year as shown below. This is probably directly attributable to the emphasis and training being put in place to mitigate the accident risk

The number of minor incidents recorded has risen compared to the same period and probably a direct consequence of us placing very strong emphasis on our staff

reporting any incidents which occur in the course of their work.

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4 Financial Implications

4.1 It is expected that SBc Contracts will meet its enhanced trading surplus of £357k 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 single status is still awaited and also remains a potential risk for SBc Contracts.

8.2 Health & Safety issues can always be potential source of risk for a contracting organisation. We continue to invest heavily in workforce training in order to mitigate and minimise these risks.

9 Summary

9.1 The volume of external tender work won remains very satisfying and is running comfortably ahead of 2006 and strongly ahead of 2005 levels.

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:

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Previous Minute Reference: