

**SCOTTISH BORDERS COUNCIL**  
**EXECUTIVE COMMITTEE**  
**TRADING OPERATIONS SUB-COMMITTEE**

MINUTE of MEETING of the TRADING  
OPERATIONS SUB-COMMITTEE  
held in the COUNCIL CHAMBER,  
COUNCIL HEADQUARTERS on 10  
March 2008 at 2. p.m.

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Present: - Councillors M. Cook (Chairman), N. Calvert, J. Fullarton, K. Gunn, L. Wyse.  
Apologies:- Councillor J. Brown, G Garvie.  
In Attendance:- Acting Head of Roads and Fleet, Head of Business Management - Technical  
Services, Business Support Manager, - Corporate Finance, DLO Roads Manager,  
Parks Manager, Business Manager, DLO Operations, Team Leader - Technical  
Services Business Support, Corporate Finance, Committee Officer, (S.  
Seivwright.)

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**MINUTE**

1. There had been circulated copies of the Minute of 3 December 2007.

**DECISION**

**APPROVED the Minute of 3 December 2007.**

2. With reference to paragraph 1(b) Members were advised that a paper had been drafted for approval of the Corporate Management Team before coming to the next meeting.

**DECISION**

**NOTED.**

**SBC CONTRACTS TRADING OPERATION – ANALYSIS OF TRADING SURPLUS**

3. With reference to paragraph 2 of the Minute of 3 December 2007, there had been circulated copies of a report by the Director of Technical Services on Contracts Significant Trading Operations for the period 1 November 2007 to 31 December 2007. It was noted that in the first nine months of this financial year, £9.7m of tendered work had been won at a success rate of 25% on value, compared with £7.6m for the same period last year. Although the success rate last year remained higher at 33%, there were a number of tender decisions in the current year where the client had yet to make the final award of contract. Success in some of these contracts would further boost the value of work won and the overall success rate. Trunk Road work orders were disappointing and it was estimated that the total income from BEAR would not exceed £500,000, compared to a total of £3.6m last year. The section were now targeting resurfacing works and had won a tender for works at the new Park and Ride at Straiton. It was further noted that SBc Contracts were forecasting a surplus for 2007/08 of £310,000 after making provision for the deduction of £48,000 in internal charges paid to the Council's loan fund, against an original budget provision of zero. This interest charge was calculated based on SBc Contract's monthly cash flow position. A number of actions had been put in place to accelerate the accounts payable position of SBc Contracts over the last year in order to meet a corporate KPI on accounts payable with significant improvements now becoming apparent. This had however had a detrimental effect on cash flow which had been reflected in this higher than budgeted interest charge. The surplus shortfall which was some £19k below the current approved budget could be explained largely by interest charges. Appended to the report were the details of the calculations used to reach the projected surplus total. The Business Manager, Technical Services, detailed the

Contracts completed this period, the ongoing major customers the number and percentage of tenders won. Following a recent successful visit from an external verifier from the Scottish Qualifications Authority (SQA), the SQA Centre had indicated that they would be channelling their future training through the Langlee Training Centre. During the discussion which followed, concern was expressed at the implications of the Single Status changes with regard to the Sunday overtime multiplier and the difficulty in providing non-contractual overtime on a Sunday for winter and emergencies. The proposed phased removal of essential car user allowances presented a risk to business continuity if staff chose not to make private cars available for business travel. The reduction in the volume of major trunk road work from BEAR and without any roads prudential capital funding in place in 2008/09 there could be a significant volume of spare capacity on specialist equipment for surfacing and surface dressing which would need to be addressed. Members congratulated officers on the performance and significant rise in turn-over, which they hoped would continue to grow and create new business.

#### **DECISION**

**(a) NOTED the report.**

**(b) AGREED to approve the projected outturn, detailed in the Appendix to the report as the revised approved budget.**

#### **FLEET MANAGEMENT**

4. With reference to paragraph 4 of the Minute of 22 October 2007, there had been circulated copies of a report by the Director of Technical Services to update Members on the activities of the Fleet Management Trading operation for the period 1 November 2007 to 31 December 2007. The Acting Head of Roads and Fleet advised that Borders College had requested that SBC Fleet Management undertake all their vehicle maintenance for a trial period. Eildon Housing also had indicated that they wished SBC to provide vehicle management and maintenance of their full fleet. This would add approximately 21 vehicles and potentially increase turnover by £19,000 per year. It was noted that, despite recruitment and retention difficulties earlier in the year, Fleet Management had made a good recovery and was now forecasting a budget surplus of £20,000 for 2007/08. The details of the calculations used to reach the projected surplus total were detailed in the Appendix I to the report. In terms of the Accident Reduction Scheme, meetings held with union representatives had been encouraging. Statistics were currently being gathered, although it was believed that there were unrecorded incidents. Fuel prices had maintained a high level in the final quarter of 2007 with no sign of any sustained reduction. The fuel price movements for DERV since January 2007 were detailed in Appendix II. Two new fitters had commenced employment at the Newtown workshop in December 2007 and two new apprentices at Newtown and Duns in January 2008. In response to a question regarding the recruitment and retention of staff, members were advised that flexibility from Human Resources had allowed the section to attract a relatively good response to recent vacancies. With regard to a further question regarding the possibility of stock piling fuel in the light of the recent increased fuel prices, Members were advised that at present there would be a problem with storage capacity, but that the report being prepared on the upgrade of depots included proposals for fuel storage. In response to a query regarding accidents involving Council vehicles and regular checks of drivers' licences, it was explained that this was currently being looked at by a small working group. It was further noted that the reduction in income (dayworks repairs/contract fees) budget in the appendix to the report included £89,000 support recharge income, which was off set, and which would need to be vired to expenses and income.

#### **DECISION**

**(a) NOTED the report.**

**(b) AGREED to approve the projected outturn as detailed in Appendix I of the report as the revised approved budget.**

## **CATERING AND BUILDING CLEANING**

5. With reference to paragraph 9 of the Minute of 3 December 2007, there had been circulated copies of a report by the Director of Technical Services to update Members on the performance of the Catering and Cleaning operations for the period 1 November to 31 December 2007. Business Support Manager – Corporate Finance, gave an update on the Free School meals Pilot for Primary pupils in years one to three. The pilot, which had commenced on 29 October 2007, was initially for the period to the 31 of March 2008. The Director of Education awaited official confirmation in line with guidance received from the Scottish Government that the pilot was now to be extended until the end of June 2008. The percentage of primary pupils in year's 1-3 pupils taking a school meal had averaged at 62.85% during November 2007. Therefore 37.15% of parents had declined to take up the option. The Education Department was currently reviewing and collating the information received following visits to schools, and future development opportunities had been identified. The next stage following the review would be to draft proposals, and consult the participating schools. The scheme as a whole appeared to be operating well. David Cowan, Policy Officer from the Scottish Governments Schools Directorate would be visiting Headquarters and primary schools on 6 March 2008. Vivianne Buller, Acting Catering Manager, had been invited to Glasgow in January to make a presentation to the Hungry for Success National Network. It was reported that the APSE review report service improvement plan had been initiated for each service. The key objectives were detailed in the report. With regard to Cashless Catering, a working group was being formed with representatives from Education, IT and Finance. The project would be run under PRINCE 2 methodology and it was intended that a report would be submitted to the Administration Policy Working Group in March detailing the progress to date and implementation plans. The proposed upgrading of Melrose Grammar School kitchen to a production kitchen had been delayed due to insufficient electricity supply to support the kitchen. The Council had applied to Scottish Power to increase the electricity supply to the school and once this work has been completed, the new kitchen could be installed. It was anticipated that the upgrading would take place during the schools summer break. With regard to training, 60 school catering managers had attended and Elementary Food Safety Course on 12 And 13 February with all attendees achieving a 100% exam success rate. The Catering and Cleaning Service were projecting a deficit of £28k in 2007/08 compared with a projected surplus of £15k. This was due to inflationary pressures on food cost and the loss of income from external contracts. It was hoped that the deficit could be contained within the service overall or otherwise within the overall Technical Services Budget. During the discussion which followed concern was expressed at the reasons for low uptake of the Free Schools pilot. It was suggested that the Acting Catering Manager, investigate pilots in other areas and report back to this Committee with her findings.

### **DECISION**

(a) **NOTED the report.**

(b) **AGREED**

(i) **AGREED to approve the projected outturn as detailed in Appendix I of the report as the revised approved budget.**

(ii) **that the Acting Catering Manager, investigate pilots in other areas and report back to this Committee with her findings.**

## **GROUNDS MAINTENANCE**

6. With reference to paragraph 12 of the Minute of 3 December 2007, there had been circulated copies of a report by the Director of Technical Services to update Members on the Ground

Maintenance operation from 1 November to 31 December 2007. The Parks Manager explained that the section had completed the summer maintenance programme and had commenced with the autumn schedule of maintenance including grass cutting leaf collection, shrub bed pruning, hedge cutting, sports pitch maintenance, litter picking, play area maintenance, landscaping including planting of trees and shrub/rose beds. The previously agreed trading loss of £1,000 had been increased to a trading surplus of £13,000 following a decision to defer training and health and safety expenditure to April 2008. Significant contracts with external clients, including SBHA, Waverley housing association were being extended for a further period. Eildon Housing association had indicated that they would be going through a full tender exercise, and that the service would be included. Meetings with internal customers had been ongoing and successful in improving communications. Steps to improve the maintenance standards at industrial sites had been agreed with the relevant officers, and staff deployed to deal with hedge/shrub and weed issues. Progress had been made on the issue of the employment of seasonal staff, with Human Resources advising that where a person was employed in the previous season, and they had successfully supplied references and medical self assessment they could be re-employed without interview. This was a significant breakthrough and would serve to streamline the employment process. The trial of grassing cutting on steep slopes had proved successful

#### **DECISION**

**(a) NOTED the report.**

**(b) AGREED to approve the projected outturn as detailed in Appendix I of the report as the revised approved budget.**

#### **MEMBER**

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

#### **MINI-REVIEW OF PARKS AND OPEN SPACES**

7. With reference to paragraph 16 of the Minute of 3 December 2007, Jason Hedley, Parks Manager and Mick Hannon A.P.S.E gave a presentation on progress to date of the Parks and Open Space review. Mr Hedley spoke of the importance of parks, as photos of some of the Council's parks had been used to promote the Scottish Borders. Mr Hedley and Mr Hannon expanded on the presentation slides, which covered the background to the review, the short and medium term actions taken in respect of the recommendations in the report, the outstanding short and medium recommendations, the ongoing work with A.P.S.E, and the cultural change required to implement the recommendations. Concern was expressed that the Council was at risk as it did not have a tree inspection regime. There was a financial impact for the service with regard to design efficiencies identified in the review as there was no capital budget. During the questions which followed, Members were advised that staff had welcomed the review and were supportive of the proposed changes. In terms of grass cutting, which was affected by climate and seasonality, the workforce had to work within the budget framework, prioritising and managing the frequency of cutting. It was highlighted that money was a huge constraint, as changes had to be zero based. There was sometimes a realistic expectation of what should be done and what could actually be delivered within the financial constraints. The importance of harmonisation across the Borders was also highlighted. In response to a question in relation to the degree of coherence and correlation between other services in the Council, and whether the objectives of this review were in line with the objectives of the Corporate Asset review in terms of the sale of parcels of land, Mr Hedley advised that they had worked with Economic Development on parcels of land. It was suggested that there should be an overall asset management approach, with all the strands being brought together in the one place. Members were advised that there would be a report to Scrutiny in November, and that the final report would be presented to the Executive.

**DECISION**

**NOTED the presentation.**

*The Meeting concluded at 4.20.p.m.*

**23<sup>rd</sup> June 2008**

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**REPORT BY DIRECTOR OF TECHNICAL SERVICES**

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**SBc CONTRACTS TRADING OPERATION**

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**1 Purpose of Report**

- 1.1 To update the members of the Trading Operations Sub Committee on the 2007/08 financial year outturn of the SBc Contracts trading operation and an update on current issues for 2008/09.**

**2 Matters Arising from previous Trading Sub Committee**

- 2.1 There are no matters arising.

**3 Background**

- 3.1 SBc Contracts is the Council's 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.

**4 Business Performance and Update**

**4.1 Workload:**

There is a concern about the overall level of workload which will be available for SBc Contracts in 2008/09. The pressure on workload is arising from a combination of factors, namely:

- 4.1.1 Lack of trunk road work: The level of work we are receiving from BEAR remains very minimal compared with the volumes undertaken previously for AMEY. In 2007/08 we have undertaken only £401,000 of work for BEAR most of which arose from Winter Maintenance and emergency works. In 2006/07 we undertook over £3.6 million of work for the previous trunk road contract holder AMEY. Much of this work involved our surface dressing and surfacing teams and proved to have good profit margins. This effectively means that our trunk road workload has declined by almost 90% year on year with no indication that the position is likely to improve in 2008/09.
- 4.1.2 Roads Capital: The final level of roads client capital budget is not yet finalised but it looks likely to be lower than last year's. This coupled with the need to use much of the available revenue budget to address reactive and routine maintenance issues, is certain to create a shortage of surface dressing and surfacing work. This coupled with a complete lack of any kind of surfacing work emanating from the trunk road sector (see point 4.1.1) means that our dedicated equipment and skilled manpower resources used for this surfacing work will be heavily under-utilised. Options for re-deploying our surfacing manpower resources are likely to be very limited due to the

weakness in the external market (see point 4.1.3)

- 4.1.3 External market downturn: We are already seeing strong evidence of a significant downturn in the level of development activity in private sector construction projects. This is particularly so in the housing sector where we have been an active player for several years. Any downturn in the level of external work secured by SBc Contracts would be very unwelcome as it has been the prime source of profit margin over the past years. Evidence of the slowdown in activity can be seen in the recent actions taken by numerous housing developers across The Borders.
- The large Taylor-Wimpey development at Peebles, where we are a major sub contractor, has been split into two phases and the number of houses started scaled back from four per week to only one per week.
  - Taylor-Wimpey, the developer of the Hopefield site at Bonnyrigg in Mid-Lothian, has decided to delay indefinitely any work on that site due to the weak housing market conditions. This is particularly significant for SBc Contracts as we are understood to be the preferred bidder for the ground-works contract which would have been worth £2.6 million.
  - There appears to be no activity on the Barrett housing development in Clovenfords.
  - We understand that Persimmon are not undertaking any further new housing development work nationally until further notice.

Further evidence of the slowdown in the external market can be seen in Chart 1 which shows the 3-month rolling average value (£) of contracts won by SBc Contracts. Despite a good overall performance last year in winning external work, there has been a marked downturn in contracts won since November 07 and this points towards a likely downturn in external turnover for 2008/09.

- 4.1.4 High Schools Projects: The level of work available from the Borders PPP High School construction projects, where we are a major sub-contractor for Grahams, is now declining as two of these projects near completion. Our work at Berwickshire High School is expected to be completed by mid-July, and our work at the Eyemouth school site should be finished by the end of this calendar year. Finding replacement work for these projects is a key priority, but is likely to be challenging given the weak conditions prevailing within the external private sector construction market. This combination of adverse factors means that our income stream, although broadly based, is under pressure on all fronts during 2008/09.

#### 4.2 **Budget :**

Budget targets for the 2008/09 surplus have increased from 2007/08 at a time when overall workload is in decline and margins are under pressure. This will make 2008/09 a very challenging year.

Considerable cost and profit margin pressure is also being exerted on the SBc Contracts business by the spiralling cost of fuel. As highlighted under point 4.2 of the Fleet Management report to this committee, the cost of all fuels has continued to increase relentlessly over the last year and particularly again over the last weeks. SBc Contracts is a particularly heavy user of DERV and Gas Oil.

In 2007/08 SBc Contracts used some 723,830 litres of DERV and some 210,758 litres of Gas Oil. A price rise of 1 penny per litre on these fuels therefore means an additional cost burden of £9.3k per annum for the business. Our 2008/09 plant & vehicle charge-out rates have been established based on the fuel price prevailing at the end of January. Since that time DERV has risen by **13** pence per litre and Gas Oil by **12** pence per litre, effectively creating an adverse fuel cost price movement of around £119,000 per annum at 2007/08 usage levels. The plant and vehicle rates are again in the process of being reviewed and will have to be further increased to take

account of these fuel price changes. This will translate into less work being undertaken on the ground for the available client budgets. The rising price trend also exposes SBc Contracts to higher costs on some major external contracts where plant rates are generally re-negotiated only annually or half-yearly.

#### 4.3 **Review of 2007/08:**

- 4.3.1 Appendix 1 of this report contains the summarised financial outturn for SBc Contracts in 2007/08. Appendix 1 provides an analysis of the variance between the income and expenditure achieved and the Final Approved Budget for 2007/08.

The outcome and financial highlights have been analysed in more detail in the charts attached at Appendix 2 which will be the subject of a short presentation to the committee.

- 4.3.2 SBc Contracts expanded its turnover by over 23% in 2007/08 to reach its highest ever level of £29.73 million (see Chart 2). This exceeded the final approved budget by £2.4 million due to higher than expected workload in the final quarter for SBC capital works and work from external bodies. The additional turnover was achieved with only a 1.4% increase in average employee numbers compared to the previous year. This contributed again to another increase in the value of sales per direct employee which rose by 21% to £140,246 per person (See chart 3).

- 4.3.3 Total income was £2.44 million higher than the final approved budget. This was due to a very strong final quarter with additional turnover being generated from SBC capital works and work for external bodies. The additional work undertaken in the final quarter also resulted in additional costs of £2.44 million relative to the final approved budget with most of the increase due to higher direct materials and sub-contractor costs. SBc Contracts generated 435,417 chargeable labour hours in 2007/08. This was an increase of 5.7% on the previous 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; it is the main reason why our revenue has continued to increase at a faster rate than our chargeable man hours. Strong efforts continue to be made to achieve 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.

- 4.3.4 A key measure used by an increasing number of businesses to measure their effectiveness and to benchmark performance is "Added Value per Person". This can be a particularly important measure for an organisation like SBc Contracts which has the dual objective of profit generation (from external clients) and to offer best value (to internal clients) and where profitability (surplus) alone does not therefore give an accurate indication of overall performance. Many organisations are recording 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 2007/08 this value increased again to reach £63,298. This is an increase of almost 6% on the previous year and forms part of an improving long-term trend. This value compares very favourably with much larger private sector construction contractors

- 4.3.5 The main sources of income in 2007/08 arising from council work across the Borders was, winter maintenance £1,230,428, surfacing dressing of roads £911,550, general lighting maintenance £309,464, grass cutting £241,922 Oxnam Road, Jedburgh £220,215. In total in 2007/08, SBc Contracts performed 1,523 jobs (capital and revenue) for SBC council with an average value of £9,465.

- 4.3.6 The main sources of income in 2007/08 arising from external clients was, Graham Construction £1,990,289, David Wilson Homes Ltd £1,916,715, Graham HQ £1,629,928 Kenmore Homes Ltd £1,176,115 and Tweed Homes £1,104,610.



In total in 2007/08 SBc Contracts performed 853 non SBC council jobs with an average value of £18,369.

#### **4.4 Resources & Operational Issues:**

Our construction waste re-cycling facility at Langlee is now fully operational and expected to make an increasing environmental contribution this financial year by re-cycling, and re-using a range of construction project waste materials which would otherwise have gone to landfill.

Plans are also being actively considered for developing a small scale concrete production facility at Langlee which will also help to use some the recycled aggregates being produced there. Such a facility would cut down travel costs for SBc Contracts vehicles and other private contractors who presently have to travel to Kelso to pick-up relatively small quantities of ready mixed concrete.

#### **4.5 Staffing:**

Current staffing levels will need to be very carefully monitored in view of the internal and external work availability pressures. With limited availability of roads capital funding and the minimal trunk road workload, both of which would normally generate work for our surface dressing and surfacing squads, we will be facing a significant under recovery on our surfacing plant and an under utilisation of the skilled labour team dedicated to surfacing type work. The downturn in the external construction market means that re-deployment to alternative external construction projects is not a viable option at this time.

SBc Contracts currently has 214 manual workers in place against a budgeted establishment figure of 228.

#### **4.6 Training :**

The installation of our deep manhole unit and pipe section for confined space training at the Langlee site is now complete and in use.

#### **4.7 Health and Safety :**

No issues to report at this time.

### **5 Financial Implications**

5.1 There are no financial implications directly associated with this report, except as reported above.

### **6 Consultation**

6.1 The Heads of Corporate Finance, Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report.

### **7 Equality**

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

7.2 There are no rural proofing issues directly associated with this report.

### **8 Environment**

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

### **9 Risk Commentary**

9.1 There is a risk that SBc Contracts will be unable to meet its 2008/09 budgeted surplus target. A range of mitigating measures as outlined under point 10.1 are currently under

consideration.

## 10 Future Activities

- 10.1 Management efforts are being directed at reviewing a range of measures to help offset the effects of the downturn in workload described under point 4.1 of this report. This will include measures such as reducing overtime, scaling back on sub-contracting, reviewing overhead expenditure, possible disposal of surplus equipment, and developing additional complimentary income streams from areas such as construction waste re-cycling, external training etc.

## 11 Summary

- 11.1 SBc Contracts generated a surplus of £292k in 2007/08. A turnover of £29.7 m was also recorded which was the highest ever produced.
- 11.2 In addition to the surplus generated, SBc Contracts also contributed significantly to the local economy by sub-contracting a variety of work worth £6.33 million to a wide range of mostly local businesses.
- 11.3 There is a concern about the overall level of workload which will be available for SBc Contracts in 2008/09. There is a risk that SBc Contracts will be unable to meet its 2008/09 budgeted surplus.

## 12 Recommendations

### 12.1 I recommend that the Group:

- (a) **Notes the contents of this report.**
- (b) **Approve the outturn as the final position for the SBc Trading Organisation in 2007-08.**

### Approved by

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

### Author(s)

Name	Designation
Kenny Hastings	SBc Contracts Manager

**Background Papers:**

**ADD AS APPROPRIATE**

**Previous Minute Reference:**

**23<sup>rd</sup> June 2008**

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**REPORT BY DIRECTOR OF TECHNICAL SERVICES**

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**FLEET MANAGEMENT TRADING OPERATION**

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**1 Purpose of Report**

- 1.1 To update the members of the Trading Operations Sub-Committee on the 2007/08 financial year outturn of the Fleet Management trading operation and an update on current issues for 2008/09.**

**2 Matters Arising from previous Trading Sub Committee**

- 2.1 There are no matters arising.

**3 Background**

- 3.1 Fleet Management 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.

**4 Business Performance and Update**

**4.1 Workload:**

The future workload position is intrinsically linked to the level of demand from our main client SBc Contracts, who provide approximately 62% of our day-works income. Any downturn in the plant and vehicle workload of SBc Contracts would be reflected within the future income stream of Fleet Management. The future workload of Fleet Management is being monitored closely due to a number of concerns SBc Contracts have about the 2008/09 market outlook, which are discussed in more detail in the SBc Contracts submission to this committee.

**4.2 Budget :**

In addition to the possible reduction in income arising from SBc Contracts, as highlighted under point 4.1, the continued increase in fuel prices remains a source of concern and a significant budget pressure.

**4.3 Review of 2007/08:**

Appendix 1 of this report summarises the year-end outcome position for Fleet Management and provides an analysis of the variations between the various items of income and expenditure. Fleet generated a Surplus of £23k in 2007/08. This was slightly ahead of the forecast value of £19k the Final Approved Budget for Fleet Management.

Additional income of £197k was earned as a result of a higher than expected level of van hires £126k and additional day-works income of £60k.

Transport related expenses were also higher than planned with an increase of £93k

being incurred as a direct result of the increased level of externally hired vans.

The Fleet Management income overall increased by 6.0% in 2007/08 to £3.4 million.

Fleet internal productive hours in 2007/08 were 34,590 a drop of almost 14% on the 40,098 productive hours generated in 2006/07. This was due to the loss of skilled fitters experienced during the year that could not be fully replaced. The internal chargeable day-works hours and the contract hours generated both decreased in 2007/08 as a result of our productive capacity shortfall arising from the lack of skilled fitters. This was partially off-set by an increase in the work being contracted out to external service providers.

#### **4.4 Resources & Operational Issues:**

##### **4.4.1 Fuel :**

Fuel prices have further increased above the very high levels reached in the final quarter of 2007, with no sign of any reduction in prices on the horizon. By way of illustration, the fuel price movements for DERV and Gas Oil since January 2007 have been plotted and are shown in Charts 1 and 2. This is an update on the fuel pricing information included with the Fleet Trading Sub Committee report of 10th March 2008. The charts show how these costs have continued to spiral upwards. This places pressure on the budgets of all fuel users within SBC. DERV has increased by over 21% and Gas Oil by over 42% since October of 2007.

##### **4.4.2 Accident Reduction Scheme :**

The accident reduction scheme is now being rolled-out to the various departments within Technical Services initially as a pilot scheme. A programme of briefing the workforce about this scheme and its objectives is also currently being undertaken. It is planned to report on accident levels recorded throughout 2008/09 starting at the August Trading Sub Committee meeting.

##### **4.5 Staffing:**

Fleet Management are still under-resourced in terms of the number of skilled workshop fitters we have available. Fleet Management currently have 18 fitters employed of which 4 are apprentices. This is against a budget establishment of 23 fitters. However, it is not proposed to recruit any additional fitters until the SBC Contracts future workload becomes clearer.

It should be noted that there are a number of staff retirements due later this year which will need to be considered.

##### **4.6 Training :**

The training matrix for Fleet Management staff is now fully established and in place. Wherever possible we strive to take full advantage of any free training made available from the various manufacturers that we use.

##### **4.7 Health and Safety :**

Fleet Management continue to have Health & Safety meetings regularly with all staff. We continue to have an on-going issue with Fleet depot welfare at Newtown and Duns as outlined in the Trading Committee reports of 24<sup>th</sup> October and 28<sup>th</sup> of August 2007. 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. The workshops at the Duns depot need major refurbishment to meet current health and safety requirements. The underground fuel tanks and pumps need to be replaced to avoid future potential pollution issues. These issues could ultimately lead to HSE prohibition orders that may close down depot activity.

The second phase of the Newtown depot improvements still remains outstanding. This

will involve upgrading the vehicle maintenance and fabrication workshops and the installation of above ground fuel tanks. The provision of adequate staff welfare facilities at the Newtown depot is also a key priority.

## **5 Financial Implications**

5.1 There are no financial implications as a result of this report, except as reported above.

## **6 Consultation**

6.1 The Heads of Corporate Finance, Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report.

## **7 Equality**

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

7.2 There are no rural proofing issues directly associated with this report.

## **8 Environment**

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

## **9 Risk Commentary**

9.1 There are on-going Health & Safety risks and welfare issues at both the Newtown and Duns depots which can only be addressed by suitable capital investments. These have the potential to incur future HSE prohibition orders.

## **10 Future Activities**

10.1 Discussions are underway with fuels suppliers about purchasing fuel with additional additives, with the aim of further improving the MPG we achieve and reducing our carbon footprint.

10.2 Fleet Management are also in discussions with various lubricant suppliers about the range of products they can offer Scottish Borders Council with the aim of trying to increase vehicle service intervals and reducing workshop visits.

10.3 Fleet Management will shortly be taking a 3.5 ton electrical parks demonstration vehicle from Smiths Electrical to evaluate for possible future use. Fleet Management also intend to acquire an electrical Smart car demonstrator again for evaluation purposes.

## **11 Summary**

11.1 Fleet Management generated a surplus of £23k during 2007/08 which was £4k above the final revised budget of £19k.

11.2 The continued increase in fuel prices remains a source of concern and a significant budget pressure.

11.3 The future workload position is intrinsically linked to the level of demand from our main client SBc Contracts. Any downturn in the plant and vehicle workload of SBc Contracts would be reflected in the future income stream of Fleet Management.

## **12 Recommendations**

**12.1 I recommend that the Group:**

**(a) Notes the contents of this report.**

(b) Approve the outturn as the final position for the Fleet Management Trading Organisation in 2007-08.

**Approved by**

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

**Author(s)**

Name	Designation
John Martin	Fleet Manager

**Background Papers:**

**ADD AS APPROPRIATE**

**Previous Minute Reference:**

**23<sup>rd</sup> June 2008**

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**REPORT BY DIRECTOR OF TECHNICAL SERVICES**

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**CATERING AND BUILDING CLEANING TRADING OPERATIONS**

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**1 Purpose of Report**

- 1.1 To update the members of the Trading Operations Sub Committee on the 2007/08 financial year outturn of the Catering and Building Cleaning trading operation and an update on current issues for 2008/09.**

**2 Matters Arising from previous Trading Sub Committee**

- 2.1 Ipsos Mori Scotland are monitoring the progress of the free school meals pilot and collating all the information from the 5 Councils who took part in the pilot. An initial observation from discussions with the other councils and Ipsos staff themselves is that the take up of free meals in Scottish Borders is broadly in line with the other Councils. When the report is published the findings will be shared with the Trading Sub Committee.

**3 Background**

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

**4 Business Performance and Update**

**4.1 Workload:**

**4.1.1 Scottish Executive Free Meal Pilot for Primary 1 - 3**

The pilot has been very well received in schools and by parents and pupils. The impact in terms of uptake is not as significant as assumed by the Scottish Government however factors such as going home for lunch and menu selection on the day still have a bearing.

The uptake data set out below, is based upon two census checks in October 2007 prior to the pilot and February 2008. We are currently validating weekly information provided by schools broken down by year group to provide overall weekly uptake.

The % uptake is based upon pupils taking meals against pupils present on the day.

### October 2007 Baseline

% of school roll present on day = 94.3%

**Uptake** (as % of pupils present)

P1 – P3 = **38%**

P4 – P7 = **37%**

Total School Uptake = 37%

### February 2008 Uptake

% of school roll present on day = 94.8%

**Uptake** (as % of pupils present)

P1 – P3 = **67%**

P4 – P7 = **40%**

Total School Uptake = 51%

It highlights a 29% increase in P1 – P3 uptake and shows a slight impact upon P4 - P7 uptake.

#### 4.1.2 **APSE Review**

Service Improvement Plans have been developed for both the Catering Services and the Cleaning Services. The Catering and Cleaning review is to be discussed as part of a paper on the review of Technical Services structure being submitted to the APWG on the 17<sup>th</sup> of June. Catering and Cleaning Services will report back to the next Trading Sub Committee on the outcome of the paper presented to the APWG. It is intended that the new Catering and Cleaning Services structure will cost less than the existing structure.

The Key Objectives are

- Organisational restructuring and development of key resources - Its people.
- Strategic decision making by establishing corporate and political service priorities including funding and investments.
- Operational Priorities.
- Improving Communications.
- Systems and Procedures.

#### 4.1.3 **Cashless Catering**

A report was submitted to the APWG on the 15<sup>th</sup> April 2008 detailing progress to date and implementation plans. This report was subsequently submitted to the Executive on the 29<sup>th</sup> of April where some funding issues were raised. These funding issues have now been resolved, and the projects funding proposals were approved on the 8<sup>th</sup> of May. The project is now out to tender. The overall project remains on track as per the implementation plan submitted to the APWG.

#### 4.2 **Budget :**

As part of the revenue monitoring of the Catering and Cleaning services an operating deficit of £58k was uncovered in the Staff Restaurant for 2007-08. This remains a source of concern and potentially a significant budget pressure in 2008-09. Corrective actions and solutions have been initiated although the solutions to the operating deficit are not straightforward. We will report back to the next Trading Sub Committee with a SMART action plan to address this issue.

#### 4.3 **Updated Projections:**

There is a trading deficit of £36k for 2007-2008. There are a number of reasons for the budget deficit.

Provision was made in the 2007-2008 budget for an inflationary uplift of 2% for the Cleaning Services for Council Departments, even though staff cost, which make up 85% of the total costs were running at 2.5%. This created a gap of approximately £7k in 2007-2008. In future charges will have to cover all the inflation costs to ensure that sufficient income is recovered. The costs of using cleaning agency staff have also



substantially increased in one cleaning area and this is to be investigated to ascertain the reasons. The additional cost of using agency staff is currently borne by the Cleaning Service and is not passed onto the Council Departments.

The full year effect of the introduction of the Hungry for Success nutrition standards has created a fall in income in High Schools because pupils prefer to leave school at lunch time to get their "fix" of chips and other unhealthy snacks from the shops in the local high streets. In addition the High School tariff has been fixed for the past three years so a new tariff will be introduced into High School from the commencement of the school year in August 2008 in an attempt to recover some of the lost income.

The Catering Service and the Education & Lifelong Learning Department are working closely on a project to review High School Catering in order to woo pupils back into the dining room. The introduction of the Cashless Catering system should also help to retain some of the income that is currently spent in the High Street.

Food Costs are running higher than the 2% inflation base and are closer to 3.5%. There also appears to be a problem with the costs of the DMS - Cook Freeze food, as these costs have risen by 5%, so there is to be an investigation into this contract and the purchasing habits of the School Cook Managers.

Monitoring of the Catering and Cleaning Services income and expenditure costs has uncovered that the Staff Restaurant had an operating deficit of £58k for the 2007-2008. This deficit was spiralling and would have been much larger had it not been for the work of the Catering Direct Line Manager who exercised tight control over the remaining year's food and labour costs.

Technical Services need to make arrangements to ensure the deficit which is in effect a subsidy is recovered in some way. Various proposals are currently being prepared in order to ascertain if tariff increases would increase the revenue and reduce the subsidy. This would require considered opinion and the views of all the Council employees who use the facility would need to be taken into consideration before such a decision is made. Putting up the prices might not have the desired effect and could even reduce the number of customers using the facility and create an even bigger deficit.

#### 4.4 **Resources:**

There are no resources issues directly associated with this report

#### 4.5 **Staffing:**

The management restructuring is progressing and the posts for Catering Services Manager and Cleaning Services Manager have been advertised. Three staff have been offered early retirement /severance packages and the nine remaining staff will be appointed into the new management structures.

#### 4.6 **Training :**

Two training courses have been arranged for the School Cook /Catering Managers on Food and Nutrition for Children and Kitchen Health and Safety Risk Assessments.

#### 4.7 **Health and Safety :**

Training on Health and Safety Risk Assessments has been arranged for the School Cook/Catering Managers

### 5 **Financial Implications**

- 5.1 There are no financial implications directly associated with this report, except as reported above.

## 6 Consultation

6.1 The Heads of Corporate Finance, Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report.

## 7 Equality

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

7.2 There are no rural proofing issues directly associated with this report.

## 8 Environment

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

## 9 Risk Commentary

9.1 The significant organisational changes which are affecting all the services continue to place significant demands on the whole team as they continue to deliver services.

The APSE review has both helped to identify and alleviate risks to the service.

## 10 Future Activities

10.1 The key issues for the next six months will be the organisational changes and the appointment of two senior managers to lead the newly created Catering Service Team and Cleaning Service Team. Once these managers have been settled into their posts the services will be able to move onwards and upwards. All the work required to improve both these services are in the Service Improvement Plans.

## 11 Summary

11.1 Catering and Building Cleaning Services generated a trading deficit of £36k for 2007-2008.

## 12 Recommendations

**12.1 I recommend that the Group:**

**(a) Notes the contents of this report.**

**(b) Approve the outturn as the final position for the Catering and Building Cleaning Trading Organisation in 2007-08.**

### Approved by

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

### Author(s)

Name	Designation
Andrew Drummond- Hunt	Head of Properties & Facilities Management
Vivianne Buller	Interim Catering & Cleaning Manager

**Background Papers:**

**ADD AS APPROPRIATE**

**Previous Minute Reference:**

**23<sup>rd</sup> JUNE 2008**

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**REPORT BY DIRECTOR OF TECHNICAL SERVICES**

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**GROUNDS MAINTENANCE TRADING OPERATION**

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**1 Purpose of Report**

- 1.1 To update the members of the Trading Operations Sub Committee on the 2007/08 financial year outturn of the Grounds Maintenance trading operation and an update on current issues for 2008/09.**

**2 Matters Arising from previous Trading Sub Committee**

- 2.1 There are no matters arising.

**3 Background**

- 3.1 The grounds maintenance service is the in-house service provider of grounds maintenance services for Scottish Borders Council, including a number of other departments/services throughout the council. Contractual grounds maintenance services are also provided to a range of external clients, including some registered social landlords and smaller concerns throughout the borders

**4 Business Performance and Update**

- 4.1 **Workload:** Winter maintenance including, shrub bed renovation, salting of paths in cemeteries/parks as required, removal of festive Christmas trees, hedge cutting, litter clearance, tree pruning.

Commencement of spring maintenance including weed killing in drying areas, hard standings, against obstacles and edges. In some areas, due to contract terms, commencement of grass cutting operations.

Development of the actions of the best value review of grass cutting operations.

34 contracts were tendered for the 2008-09 season, 31 were successful. These contracts have a value of £332k, in comparison with a value of £353k for the 2007-08 season. A reduction of contractual income of £21k.

- 4.2 **Budget :** A budget trading surplus of £55k has been agreed for 2008/09.

- 4.3 **Updated Projections:** The trading surplus of £55k is considered ambitious given experiences of 2007/08.

- 4.4 **Resources:** To meet the reduction of contractual income, fewer seasonal staff have been employed.

- 4.5 **Staffing:** Seasonal staff recruitment has been far more effective this year; this is due to an improvement in the procedures associated with the recruitment and terms and conditions that we can offer our seasonal staff, and the flexibility which HR allowed us

to operate. All seasonal staff have been put through a formal induction programme. This is in line with the recommendations contained in the IIP report of last October, which reported that seasonal staff felt undervalued as a result of their temporary employment status with the council, despite many returning for a number of years.

- 4.6 **Training** : Training has continued to be rolled out to all staff in line with the sections training matrix. The courses and numbers of staff trained are shown at appendix 2.

Additional training on undertaking risk assessments and specifically the “*Managing Safely*” course, operated by the council, has been undertaken by all managers, foremen and charge-hands.

- 4.7 **Health and Safety** ; The section has improved its procedures in this area by continuing to review the sections risk assessments and safe systems of work, in doing so all staff identified as appropriate to undertake risk assessments have been trained to allow them to do so.

21 risk assessments and 19 safe systems of work have been reviewed with 1 risk assessment still to be reviewed and 4 safe systems of work remaining to be reviewed. This remaining review will be complete by the end of July 2008.

The issue of working on steep embankments, previously notified to this committee, continues to present a challenge to the section. A recent court case brought against a council in England found them at fault in relation to their procedures/systems for working on steep embankments, when considering the death of one of their employees cutting grass on an embankment. Our programme of review of risk assessments has identified the role that anti-roll bars and seatbelts play in any safe system of work on embankments, and a programme of implementation is currently being worked on. Additionally, the section has considered the amount of banks and the current standards of service provision against the utilisation of the new grass cutting equipment, (the “Spider”) which is to be utilised to cut grass embankments. The outcome is that the “Spider” will be utilised on high profile embankments only, on an approximate frequency of 13-15 cuts per season. Other areas will either

- a- be cut using tractor mounted flail on a reduced frequency,
- b- be planted with bulbs, and then cut as above,
- c- be left completely,
- d- have growth retardants used,

All embankments have been prioritised as high, medium and low risk, and the section is reviewing those higher priority sites first, with any management changes likely to be implemented in the 2008-09 season. Medium and low priority areas will be assessed later this year with changes implemented for the 2009-10 season.

## 5 Financial Implications

- 5.1 Ground maintenance has achieved a break-even position for 2007/08 compared to a revised trading surplus budget of £13k. Total income for the year has been in line with budget with increased costs responsible for the surplus reduction.

## 6 Consultation

- 6.1 The Heads of Corporate Finance, Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report.

## 7 Equality

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

7.2 There are no rural proofing issues directly associated with this report.

## 8 Environment

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

## 9 Risk Commentary

9.1 There are risks associated with working on steep embankments, with steps being implemented to carry out systematic assessments and to change management regimes, coupled with implementing anti roll bars and seatbelts.

## 10 Future Activities

10.1 The seasonal nature of grass cutting will form the main focus for the service through the next six months. Work to deal with this derived from the mini best value review, previously reported to committee, is ongoing and confidence is high that service standards will be sustained

## 11 Summary

11.1 There is a reduced value of contracted maintenance for the 2008-09 seasons.

11.2 Work on steep embankments is being evaluated and new management systems and maintenance regimes implemented.

11.3 There has been an improvement in the procedures associated with the recruitment and terms and conditions that we can offer our seasonal staff.

## 12 Recommendations

**12.1 I recommend that the Group:**

**(a) Notes the contents of this report**

**(b) Approve the outturn as the final position for the Grounds Maintenance Trading Organisation in 2007-08.**

### Approved by

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

### Author(s)

Name	Designation
Jason Hedley	Parks & Open Spaces Manager

**Background Papers:**

**ADD AS APPROPRIATE**

**Previous Minute Reference:**