

**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 23  
June 2008 at 2.15 p.m.

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Present: - Councillors N. Calvert (Chairman), J. Brown, J. Fullarton, K. Gunn, L. Wyse.

Apologies:- Councillors M. Cook, G. Garvie.

In Attendance:- Director of Technical Services, Head of Property and Facilities Management, Acting Head of Roads and Fleet Management, Acting Head of Environmental Services, Team Leader - Technical Services Business Support, Corporate Finance, Business Manager, Technical Services, Committee Officer, (S. Seivwright.)

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**CHAIRMAN**

1. In the absence of the Chairman Councillor Cook, Councillor Calvert chaired the meeting.

**MINUTE**

2. There had been circulated copies of the Minute of 10 March 2008.

**DECISION**

**APPROVED the Minute of 10 March 2008.**

**SBc CONTRACTS TRADING OPERATION.**

3. With reference to paragraph 3 of the Minute of 10 March 2008, there had been circulated copies of a report by the Director of Technical Services on the financial outturn for 2007/08 and to update Members on the SBc Contracts Significant Trading Operations since the last meeting. The Appendices to the report summarised the financial outturn for SBc Contracts in 2007/08 and provided an analysis of the variance between the income and expenditure achieved and the Final Approved Budget for 2007/08. It was noted that SBc Contracts had generated a surplus of £292,000 in 2007/08 and had increased its turnover by over 23% in 2007/08 to reach its highest ever level of £29.73 million in the final quarter. This exceeded the final approved budget by £2.4 million, and was due to a very strong final quarter with additional turnover being generated from SBC Capital works and works for external bodies. The main sources of income were detailed in the report. The additional turnover had been achieved with only a 1.4% increase in average employee numbers compared to the previous year and had contributed again to an increase in the value of sales per direct employee which rose by 21% to £140,246 per person. There was however concern about the level of workload which would be available for SBc Contracts in 2008/09, as the level of work from BEAR was very minimal compared with the volumes undertaken previously for AMEY, and the final level of roads client capital budget was not yet finalised but was likely to be lower than last year. This coupled with the need to use much of the available revenue budget to address reactive and routine maintenance issues, was certain to create a shortage of surface dressing and surfacing work and result in under utilisation of both equipment and workforce. Other factors included the External market downturn, where there was already strong evidence of a significant downturn in the level of development activity in private sector construction projects, particularly in the housing sector, where SBc Contracts had been an

active player for several years, and the decline in the level of work available from the Borders PPP High School construction projects, as two of these projects, Berwickshire and Eyemouth High Schools were nearing completion. Finding replacement work for these projects was a key priority, but was likely to be challenging, given the weak conditions prevailing within the external private sector construction market. This combination of adverse factors meant that the income stream, although broadly based, would be under pressure on all fronts during 2008/09.

#### **DECISION**

(a) **NOTED the report.**

(b) **APPROVED 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 10 March 2008, there had been circulated copies of a report by the Director of Technical Services to update Members on the 2007/08 financial year outturn of the Fleet Management trading operation and the current issues for 2008/09. The Acting Head of Roads and Fleet expanded on the appendices to the report which summarised the year-end position for Fleet Management and provided an analysis of the various items of income and expenditure which had resulted in a surplus of £23,000 in 2007/08, slightly ahead of the forecast value of £19,000. This stronger than expected surplus performance, was due to a combination of several factors including additional income of £197,000 as a result of a higher than expected level of van hires and additional day-works. 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. Fleet Management income overall increased by 6.0% in 2007/08 to £3.4 million. There had however, been a drop of almost 14% in Fleet internal productive hours in 2007/08, compared with 2006/07. This was due to the loss of experienced skilled fitters during the year that could not be fully replaced. The internal chargeable day-works hours and the contract hours generated decreased in 2007/08 as a result of a 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. The continued increase in fuel prices remained a source of concern and a significant budget pressure. With regard to other resource and operational issues, Members were advised that the accident reduction scheme was now being rolled-out to the various departments within Technical Services initially as a pilot scheme. It was noted that whilst Fleet Management were still under-resourced in terms of the number of skilled workshop fitters available, it was not proposed to recruit any additional fitters until SBc Contracts future workload became clearer. The training matrix for Fleet Management staff was now fully established and in place, and Members were brought up to date with Health and Safety issues. The future workload position was linked to the level of demand from SBc Contracts, the main client, where any downturn in the plant and vehicle workload of SBc Contracts would have an effect on the future income stream of Fleet Management. Members discussed various areas of concern, in particular the effect of the fuel crisis and the difficulties of stock-piling supplies, and whether there was a need to provide a roads maintenance presence in some of the depots.

#### **DECISION**

(a) **NOTED the report.**

(b) **APPROVED the projected outturn as, as detailed in the report, as the revised approved budget.**

#### **CATERING AND BUILDING CLEANING**

5. With reference to paragraph 5 of the Minute of 10 March 2008, there had been circulated copies of a report by the Director of Technical Services to update Members on the 2007/08 financial year outturn of the Catering and Building Cleaning trading operation and an update

on current issues for 2008/09. With regard to matters arising from the last meeting, Members were advised that Ipsos Mori Scotland were 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, was that the take up of free meals in Scottish Borders was broadly in line with the other Councils. When the report was published the findings would be shared with the Sub-Committee. The report detailed progress with the APSE Review, and the Cashless Catering project. In terms of the budget, the Head of Properties and Facilities Management advised that, as part of the revenue monitoring of the Catering and Cleaning services, an operating deficit of £58,000 was uncovered in the Staff Restaurant for 2007-08. This remained a source of concern and potentially a significant budget pressure in 2008-09. Corrective actions and solutions had been initiated although the solutions to the operating deficit were not straightforward. It was intended to bring a report to the next Trading Operations Sub-Committee with a SMART action plan to address this issue. The reasons for the overall trading deficit of £36,000 were detailed in the report, together with proposals to address these issues. It was highlighted that the key issues for the next six months would 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 had been appointed the services would be able to move forward. The work required to improve both these services was in the Service Improvement Plans. Members discussed the possible effects of the end of the free school meals pilot and the need to look at financial processes and procedures with a view to addressing the issues which had resulted in the deficit within the Staff Restaurant budget.

#### **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.**

#### **GROUNDS MAINTENANCE**

6. With reference to paragraph 6 of the Minute of 10 March 2008, there had been circulated copies of a report by the Director of Technical Services on the 2007/08 financial year outturn of the Grounds Maintenance trading operation and an update on current issues for 2008/09. The Parks Manager advised that Grounds Maintenance had achieved a break-even position for 2007/08 compared to a revised trading surplus budget of £13,000. The total income for the year had been in line with budget with increased costs responsible for the surplus reduction. He outlined the work undertaken since the last meeting and advised that 34 contracts had been tendered for the 2008/09 season, of which 31 had been successful. These contracts had a value of £332,000, in comparison with a value of £353,000 for the 2007/08 season which represented a reduction of contractual income of £21,000. It was noted that a budget trading surplus of £55,000 had been agreed for 2008/09 which was considered ambitious given the experiences of 2007/08. To meet the reduction of contractual income, fewer seasonal staff had been employed. The report detailed the position with regard to staffing resources, and outlined the training undertaken, and the improvements with regard to Health and Safety procedures. The issue of working on steep embankments, previously notified to this committee, continued 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. A programme of review of risk assessments had identified the role that anti-roll bars and seatbelts play in any safe system of work on embankments, and a programme of implementation was currently being worked on. Additionally, the section had considered the number of banks to be cut and the current standards of service provision against the utilisation of the new grass cutting equipment, (the

"Spider") which was to be utilised to cut grass embankments. The outcome was that the "Spider" will be utilised on high profile embankments only, on an approximate frequency of 13-15 cuts per season. All embankments had been prioritised as high, medium and low risk, and the section was reviewing those higher priority sites first, with any management changes likely to be implemented in the 2008-09 season. Medium and low priority areas would be assessed later this year with changes implemented for the 2009-10 season. During the discussion which followed Members praised the Grounds Maintenance staff for the excellent overall presentation of the Border towns during the recent Common Riding celebrations.

**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.

*The Meeting concluded at 3.20.p.m.*