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## **SBc CONTRACTS TRADING OPERATION REPORT 21-22**

**Report by Chief Officer Roads**

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### **MAJOR CONTRACTS GOVERNANCE GROUP**

**21<sup>st</sup> June 2022**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report proposes a summary on the performance of SBc Contracts for the financial year 21-22 and then goes on to indicate how the early months of 22-23 are performing. This report is to be considered in public prior to a further second paper to Members in private that considers sensitive commercial trading activity that SBc Contracts undertakes.**

#### **2 RECOMMENDATIONS**

- 3.1 I recommend that the Major Contracts Governance Group:**
- (a) Record SBc Contracts Performance for 21-22 and the beginning of 22-23 during a particularly challenging trading environment.**
  - (b) Considers the remainder of the report under private business.**

### **3 WORKLOAD AND MANAGEMENT UPDATES**

#### Workload update

3.1 SBc Contracts delivers infrastructure improvements across the Council's roads and built estate. The work undertaken is funded by the Council's Capital budget, the work includes:

- Road Surface Treatment including surface dressing and patching
- Civil Engineering Works
- Internal Building works to SBC Estate
- Bond Coat Application
- Traffic Management
- Sign Manufacture

In addition, SBc Contracts carries out road maintenance and civil engineering projects for third parties throughout South and central Scotland.

3.2 In regards to road surfacing activity throughout the year we completed 24.3KM of resurfacing and 52.2KM of surface dressing treatment for SBC. Whilst for third parties 4827m<sup>2</sup> of various surface treatments. In addition our specialist bond coat operation had a good year operating at 198 sites for third party clients and performing well in delivery terms for the Council.

3.3 The whole year picture for 21-22 saw us active on 134 number of sites. Of which 112 are now concluded and 22 remain active at 31 March 2022

3.4 We have continued to meet demand by balancing the use of our own staff with that of external contractors, which in turn helps support and sustain the local economy when it comes to civil engineering/ground works and road surfacing. In October 2021 we successfully established a procurement framework to facilitate this ongoing use of third parties, the framework includes 108 Contractors across 32 separate lots.

3.5 Commercial performance however remains challenging for 22-23. We are experiencing the impacts of unprecedented rises in fuel and raw material. Although this had been a recognised issue over the last year. Recently due to the war in Ukraine this has further compounded what was already a challenging position which has created a bitumen shortage across Europe and the UK, and this of course is a main component for anyone undertaking roads construction and maintenance activities. Supply chain issues, which we have been experiencing over the last 18 month, are therefore ongoing, we continue to work with clients, designers and suppliers to overcome delays in delivery which in turn impacts project performance.

3.6 Notable achievements in 2021/22 include the completion of Streetscape work outside The Great Tapestry of Scotland. Internal alterations at Peebles and Selkirk High Schools, Works to the Access Road and Car Park at Reston Station, Coldstream Cemetery and Flood Protection works at Whitelaw and Crowbyres in Hawick.

- 3.7 The early outlook for 2022/23 is positive and we have secured some contracts that extend beyond this financial year, which helps with workload planning and forecasting. Based on our current assessment of the forecast expected workload and performance we anticipate achieving our expected financial target during 22-23. Positively we are aware of a number of high value projects, which we are pursuing, and should we be successful they will positively affect our position even further.

#### Management Update

- 3.8 Throughout 21-22 we have faced fairly significant challenges with our staff. These encompassed COVID 19, working from home and staff recruitment and retention in a buoyant employment market coupled with the ageing profile of the workforce and some staff leaving us to pursue careers elsewhere or indeed retire.
- 3.9 In responding to these challenges, we have successfully recruited into a number of roles within the team. Most appointments have been internal applicants/promoted posts, which helps demonstrate our commitment to growing our own. Positively we have also made some appointments from outside of the Council which helps to maintain the talent pool, staff capacity, drive growth and employee development, as a result of the new experiences and skills that these new appointments bring to the Council. During 2021-22 we have successfully recruited 2 Assistant Surfacing Managers, a Quantity Surveyor, an Assistant Estimator/Surveyor and appointed a Graduate Quantity Surveyor with a view to developing to a full Quantity Surveyor over the next 18 months.
- 3.10 The review of the service, which has been ongoing throughout 21-22, is close to a conclusion the outcomes of which will be shared with Members in due course. Critical to this review though has been to consider the ongoing model for service provision within roads, and at this time the review is not suggesting that there are fundamental changes required to the service which it has assessed as delivering value for money to the Council. This is a critical issue for the long term planning of the service when it comes to staff structures, development programmes but also crucially when determining investment decisions for things such as fleet, which this service is hugely dependent upon.
- 3.11 That said what is clear is that the scale of the operation and some of the business models behind it will need to change to enable a more efficient and effective service to continue to be delivered. We will continue to see issues such as staff recruitment and investment into the operational machinery business case to be considered in the round as part of the ongoing process of ensuring the financial challenges the Council faces are met.
- 3.12 Members can expect to be engaged on this and other critical issues surrounding the roads service such as the review of the Roads Asset Management Plan (RAMP) and ongoing engagement around winter maintenance and service performance more generally.

- 3.13 During 21-22 SBc Contracts once again demonstrated its flexibility and ability to deliver in an emergency. The response to Storm Arwen saw us helping with the clear up which was vast and widespread the costs of which had to be borne by the service as part of its overall operation during the year, the estimated costs are in the region of 300k.
- 3.14 The outlook for the rest of the year is that we will continue to face the recruitment and retention challenges. It is pleasing to note that we have met those challenges to date as set out previously in the report and it is our intention to continue to develop our approach to people planning to help identify and address issues in a sustainable manner to ensure business continuity and preparedness
- 3.15 During 21-22 the Council trialled and eventually adopted a 20MPH policy across the network, alongside this it also undertook a study into the effects of such a policy change on such a wide scale. It is pleasing to note that the Council has been shortlisted for recognition as part of the LGC Awards. For this initiative and indeed the project leader Philippa Gilhooly has been engaged by a number of third parties to present back to them how the Council approached this, what the benefits have been and how this policy approach may bring benefits to others wishing to do so. Whilst not strictly relevant to the activity of the trading operation of Roads it was felt appropriate to inform Members of this group of what is being recognised as an innovative and successful initiative by the team within SBC.

## **4 IMPLICATIONS**

### **4.1 Financial**

There are no financial implication associated with the public section of this report.

### **4.2 Risk and Mitigations**

There are risks and mitigations associated with the financial performance of SBc Contracts and these are discussed in the report to be considered in private.

### **4.3 Integrated Impact Assessment**

An Integrated Impact assessment has been undertaken and there are no identified impacts, as a result of this report or the matters it refers to, identified at this time.

### **4.4 Sustainable Development Goals**

Whilst not directly impacted by the recommendations in this report, SBc Contracts through its trading and project delivery employs where ever possible local suppliers and trades which in turn supports aspects of the UN Sustainable Development Goals. In addition, through use of local materials it reduces its impact on the environment because of the reduced miles the materials have to travel.

### **4.5 Climate Change**

There are no significant carbon management implications arising from this Report.

#### 4.6 Rural Proofing

There are no significant rural proofing implications arising from this Report.

#### 4.7 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

#### 4.8 Changes to Scheme of Administration or Scheme of Delegation

No changes are required because of this Report.

### 5 CONSULTATION

5.1 The Director (Finance & Corporate Governance), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted and comments received have been incorporated into this final report.

#### Approved by

**Name** John Curry

**Signature** .....

**Title** Service Director Assets & Infrastructure

#### Author(s)

Name	Designation and Contact Number
Jason Hedley	Chief Officer Roads ext 8037
Mark Douglas	Commercial Manager
Peter McNulty	Works Manager

**Background Papers:** nil

**Previous Minute Reference:** nil

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Jason Hedley can also give information on other language translations as well as providing additional copies.

Contact us at Jason Hedley Infrastructure and Environment, Scottish Borders Council, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA, Tel 01835 825431, Fax 01835 825071, email [eittranslationrequest@scotborders.gov.uk](mailto:eittranslationrequest@scotborders.gov.uk).