



STORNOWAY ABATTOIR UPDATE – SEASON 2023

Report by Head of Municipal Services

PURPOSE

- 1.1 The purpose of the Report is to apprise the Comhairle of the throughput and financial performance of Stornoway Abattoir for the 2023 operating season and seek approval for the charges proposed for season 2024.

EXECUTIVE SUMMARY

- 2.1 Stornoway Abattoir is a non-statutory service provided to the crofting and farming industries in the Western Isles. The 2023 operational season for Stornoway Abattoir ran from the 31 July until the 22 December 2023, providing a slaughtering service for Sheep, Cattle and Pigs.
- 2.2 The abattoir received complementary feedback from Quality Meat Scotland and Food Standard Scotland following the 2023 audits.
- 2.3 Throughput for sheep was similar to 2022, with a 3% drop from 2,413 to 2,338.
- 2.4 Cattle and pigs were both down by a higher percentage, but this is not unusual as cattle and pig numbers can vary significantly from year to year.
- 2.5 Improved workforce management has resulted in lower staffing costs.
- 2.6 Utility costs for 2023 included a significant charge for backdated bills that were based on estimates. Although this impacts on costs for 2023 it does not reflect the true cost of operating the abattoir.
- 2.7 Since 2018, an above inflation increase has been used to try to gradually bring the abattoir service closer to a financial break-even position. However, due to an error in assessing income for the 2022 season, prices for 2023 were restricted to a standard inflationary increase of 5% which resulted in an unrealistic income target.
- 2.8 It is proposed that the charges for 2024 are increased by 15% based on a 10% uplift plus the standard inflation increase of 5%. Details are provided in Appendix 2.

RECOMMENDATIONS

- 3.1 It is recommended that the Comhairle:

- (a) note the actions taken to contain staffing costs; and
- (b) approve the proposed charges for 2024 as outlined in Appendix 2 of the Report.

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Appendix: 1. Throughput Figures 2018 to 2023
2. Charges for 2023 and Proposed Charges for 2024

Background Papers: Transportation & Infrastructure Committee 26 April 2023

IMPLICATIONS

- 4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	Abattoir Operating Period, Cost Centre 3040
Legal	Food Standards Scotland, Quality Meat Scotland
Staffing	Direct jobs and ancillary businesses
Assets and Property	
Strategic Implications	Implications/None
Risk	Reduced journey times for animal welfare
Equalities	Enable local choice
Corporate Strategy	Benefit for local community
Environmental Impact	Reduce food miles
Consultation	Assets, Finance and Resources

BACKGROUND

- 5.1 Stornoway Abattoir is the only local authority operated abattoir in the UK. The Comhairle operates Stornoway Abattoir from August to December, providing a slaughtering service for sheep, cattle and pigs. During the period when the abattoir is closed, most of the abattoir staff are employed by Cleansing Services. The remaining staff are employed on a seasonal basis with temporary Cleansing Labourers employed to provide staff cover for refuse and recycling collection duties.
- 5.2 Stornoway Abattoir provides a high-quality service and the facility has regularly received excellent reviews from audits by both Quality Meat Scotland and Food Standards Scotland.
- 5.3 Since 2018, there has been approval in place to gradually increase prices above inflation, with the emphasis on eventually achieving a cost neutral position for the abattoir service.

2023 SEASON

- 6.1 Stornoway Abattoir opened for business on 31 July and closed on 22 December 2023. Operational staff were transferred to the abattoir in mid-July to carry out a deep clean prior to opening and to ensure that machinery is fully functional ready for operation in August. Staff are also required to carry out a further deep clean after the abattoir is closed for the season at the end of each year.
- 6.2 During the 2023 opening period, abattoir management and staff worked as efficiently as possible to ensure that overtime and other controllable costs were kept to a minimum. By doing so, staff costs for the season reduced for £108k in 2022 to £103k in 2023.
- 6.3 The Official Veterinarian provided by Food Standards Scotland, continued to support staff within the abattoir and has again provided an excellent report for both the quality of the stock being processed and the efficiency of the abattoir staff. Stornoway Abattoir also received an excellent audit review from Quality Meat Scotland.
- 6.4 CCTV is in place to monitor animal welfare standards at slaughter and provide assurance that appropriate standards are being maintained. This system was installed prior to opening for the 2022 season and was funded by a grant from Food Standards Scotland.
- 6.5 As a consequence of the seasonal operation of Stornoway Abattoir, the building and machinery lie dormant for seven months of the year. All machinery was fully serviced prior to opening in August 2023 and any breakdowns occurring throughout the operating period were repaired in a timely manner; arranged by the Comhairle's Property Maintenance Team.

- 6.6 However, due to a significant burst water pipe late on Friday 1 December 2023, operational activities were paused until remedial work could be carried out. Thanks to prompt work by colleagues in Property Maintenance, only three days of production time were lost and all animals that were booked in were able to be processed.
- 6.7 The cyber-attack on 7 November 2023 resulted in an initial loss of communication with customers and a change to manual systems for bookings, invoicing and payments. However, a temporary system was quickly put into place to allow normal services to resume.
- 6.8 As stated previously, the impact of the cyber-attack has impacted significantly on staff time and resources and many of the systems put in place in 2022 had to be reverted to a manual system. However, the abattoir remained operational and continued to provide the full range of services to customers.

THROUGHPUT AND FINANCIAL PERFORMANCE

- 7.1 The throughput numbers for sheep have remained relatively stable for the season, with only a small drop in numbers compared to 2022. Cattle and pig numbers are down but as can be seen from the annual throughput comparison figures shown in Appendix 1, this is still considered to be within the normal range.
- 7.2 For the 2023 season, the abattoir opened a week earlier than usual with an expectation that this would increase throughput opportunity. However, the uptake in bookings was very low for the first week. For the 2024 season, it is proposed to open for bookings on week commencing 29 July 2024 and to open for the acceptance of animals on week commencing 12 August 2024.
- 7.3 Since the 2022 season, Stornoway Abattoir has been running on the Comhairle Civica Financials system for invoicing, payment and financial monitoring. This provided an efficient management tool for the 2022 season, with all invoices issued and all payments received by the end of January 2023.
- 7.4 Unfortunately, the cyber-attack on the Comhairle that took place on 7 November 2023 also impacted the financial management system used by Stornoway Abattoir. This resulted in a need to move on a temporary basis to a more manual system. Although the final outcomes for the year have been calculated, the work involved, and the time taken to complete the process, were significantly greater than anticipated.
- 7.5 Prior to opening for the 2023 season, due to the income received in 2022, it was not considered necessary to increase charges above inflation. However, the income figures for 2022 included late income which should have been allocated to 2021. Had this been identified at the 2023 budget setting process, there would have been a recommendation to continue to increase prices by a small percentage above inflation.
- 7.5 Final income for 2023 is £116k, which is in line with throughput figures, taking account of the standard 5% inflationary increase applied to charges prior to opening for season 2023.
- 7.6 Utility costs for both water and electricity for 2023 are both significantly higher than expected. This includes the allowance that had been made for a 10p per unit rise in the cost of electricity. On investigation it appears that the abattoir had been operating on estimated electricity readings for the previous two seasons, with backdated costs applied to 2023.
- 7.7 Further work is being carried out to ensure that there has been no overpayment for utility costs. There is now a new system available to allow Comhairle staff to submit meter readings on a monthly basis and this will be carried out for the upcoming season.
- 7.8 Although every effort is made to keep production costs to a minimum, there are uncontrollable costs. These include throughput, maintenance and utility costs. To achieve better efficiency, measures have been introduced to reduce staffing costs. These include shorter working weeks during low throughput periods, with operatives and their costs reassigned to the Cleansing Services team to carry out alternative duties.

- 7.9 The Comhairle has also agreed that increasing fees above inflation can be used to balance income against expenditure, but it is accepted that this has to be done gradually to prevent increased charges from having a negative impact on throughput.
- 7.10 Stornoway Abattoir is operated within the cash planning limits for Municipal Services, with any operational overspend having to be absorbed by Municipal Services. Due to the error in assessing the income for the 2022 season, prices were only increased by 5% for the 2023 season. This resulted in an unrealistic income target which could never be met. In addition, backdated utilities charges that were applied to 2023 have resulted in what appears to be a substantial overspend for 2023.
- 7.11 It is proposed that the charges for 2024 are increased by 15%. This accommodates an inflationary increase of 5% plus a 10% uplift. If throughput remains the same as 2023, the income would be expected to achieve £140k. Reducing the operating period by one week would reduce staff costs and utility costs have been recalculated based on the average number of units used during the past four years.
- 7.12 However, having adjusted the income to the correct amount and taking account of the impact of the utility cost only improves this position slightly. Based on revised calculations, the cost of operating the abattoir in 2024 is expected to be circa £180k and this is the required level of income to operate. If throughput for 2024 is the same as 2023, this still leaves a likely shortfall of £40k for 2024.

CONCLUSION

- 8.1 Stornoway Abattoir, which is the only local authority operated abattoir in the UK, is operated by Cleansing Services, which is part of Municipal Services. Historically, the budget available to operate the abattoir has not met the needs of the service, with any financial risk absorbed by the overall Municipal Services budget.
- 8.2 However, with the financial challenges faced by the Comhairle, there is an aspiration to try to reach a financial break-even point, where the income from users in the local farming and crofting industries covers the cost of the service.
- 8.3 Workforce management have resulted in a small saving despite accommodating an additional week of service provision. However, utilities costs have increased and will need to be recalculated due to meter readings not being carried out. For 2024 a new system will be available to allow accurate meter readings to be submitted on a monthly basis.
- 8.4 Having staff on site in mid-July has resulted in bookings being received early, which helps with planning operational staffing. However, bookings for the first week of the 2023 season were low and overall throughput did not improve. It is therefore intended to reopen the 2024 season for bookings at the end of July and open the abattoir for animals on week commencing 12 August 2024.
- 8.5 The service will continue to look for opportunities to increase throughout and engage with service users. Any improvements and efficiencies that can be made within the abattoir both in the building fabric and the machinery used on site will be investigated.
- 8.6 In order to move as close to cost recovery as possible, which is the basis of the operation for Stornoway Abattoir, it is proposed to increase charges by 15%. The proposed increased charges for 2024, along with the previous charges of the 2023 season are shown in Appendix 2 to the Report.

APPENDIX 1**THROUGHPUT FIGURES FROM 2018 TO 2022**

Year	Sheep	Cattle	Pigs
2018	2966	137	81
2019	2987	157	85
2020	2933	166	74
2021	2720	155	102
2022	2413	159	109
2023	2338	131	73

CHARGES FOR 2023 (incl. QMS levy and VAT)

	2023	
	Price	Cutting
Sheep <12 months	£36.63	£10.54
Sheep >12 months	£38.83	
Goats	£35.27	
Cattle <30 months	£161.14	
Cattle >30 months	£220.15	
Pigs <75kg	£72.18	
Pigs >75kg	£116.47	

PROPOSED CHARGES FOR 2024 (incl. QMS levy and VAT)

	2024	
	Price	cutting
Sheep <12 months	£42.12	£12.12
Sheep >12 months	£44.65	
Goats	£40.56	
Cattle <30 months	£185.31	
Cattle >30 months	£253.17	
Pigs <75kg	£83.01	
Pigs >75kg	£133.94	