

EXEMPT

(Not for publication by virtue of paragraphs 6, 8, 9 and 10 of Part 1 of Schedule 7A to the 1973 Act)

Report No JC 18/2008

TAYSIDE CONTRACTS JOINT COMMITTEE – 25 AUGUST 2008

Report by the Managing Director

Subject: *BUSINESS PLAN – 2007/08 ANNUAL REVIEW*

ABSTRACT

This report seeks to provide the Joint Committee with the annual review of progress for 2007/08 against the priorities, actions plans and targets detailed in Tayside Contracts business plan.

1. RECOMMENDATIONS

It is recommended that the Joint Committee:

- 1.1 Approves this report which provides the annual review for 2007/08 of progress against the priorities, action plans and targets detailed in the business plan.
- 1.2 Agree the proposed changes to the key targets for 2008/09.

2. BACKGROUND

- 2.1 The Joint Committee at its meeting on 20 March 2006 approved a new business plan for Tayside Contracts for the period 2006 to 2011, reference report number JC 9/2006.
- 2.2 Included within the approved report number JC 9/2006 is a requirement to report to the Joint Committee on a six monthly basis the progress which has been made against the priorities, action plans and targets as detailed in the business plan. This report is the annual review for the financial year 2007/08.

2. MONITORING

- 3.1 To ensure that the business plan is a meaningful working document it is essential that progress against the priorities, action plans and targets contained within it are monitored on a regular basis. If action is required from this it can be taken on meaningful up to date business information.
- 3.2 For previous Tayside Contracts business plans this monitoring was undertaken by senior managers within the organisation. The weakness of this approach was that it was considered in isolation and did not involve any officers from the constituent Councils.

- 3.3 The method of monitoring which has been followed has been for the corporate management team of Tayside Contracts and the three representatives of the constituent Councils on the business plan project team meeting as required throughout the year to review progress against the business plan objectives.
- 3.4 The adoption of this approach has ensured that the monitoring process has been open and transparent.

4. GENERAL

- 4.1 The business plan is the key element in Tayside Contracts planning for the future. This plan has identified the key objectives for the organisation and the method and success criteria for the achievement of these has been clearly identified.
- 4.2 Behind the business plan are comprehensive service plans for each of the divisions and units within Tayside Contracts. These service plans contain the details of how each division and unit contribute to the key aims and issues detailed in the business plan. They also identify the key targets and performance indicators which are used to measure the success of service delivery within these divisions and units and therefore ultimately Tayside Contracts.
- 4.3 The business plan and service plans are working documents and are all reviewed on a quarterly basis and updated on an annual basis.

5. PERFORMANCE MONITORING

- 5.1 Identified within the business plan were a number of key performance indicators (KPIs). Appendix 1 provides details on the progress which has been made against these indicators.
- 5.2 Appendix 1 also details the targets which were set for these KPIs in the business plan and revisions which have been made based on the performance achieved in 2007/08 and updated information received from the constituent Councils.
- 5.3 In general, good progress has been made against the key issues which have been requiring to be progressed in year 2 of the business plan reflected in the KPIs achieved. The following section provides some more details.

6. SUMMARY OF PROGRESS ON KEY ISSUES

6.1 General

Good progress continues to be made on all the key issues which have been identified in the business plan. A summary of these is as follows:

6.2 Single Status Job Evaluation (SSJE)

The implementation of SSJE has proven to be extremely problematic, compounded by the complex legal and employee implications associated with it.

Throughout 2007/08 work has been progressing towards the completion of a new non-discriminatory pay and grading structure.

Regular consultation meetings took place with the relevant trade unions to attempt to reach a collective agreement with them on the new pay and grading structure. Unfortunately this proved to be impossible to obtain due to legal factors outwith both parties control. The Joint Committee therefore took the decision at its meeting on 17 December 2007, report number JC45/2007 refers, to commence a legal process to terminate the contracts of employment of those who did not offer to change to the new single status terms and conditions and to simultaneously make offers of re-engagement on the new terms and conditions.

The full details of the new pay and grading structure and the proposed material changes to the terms and conditions package were agreed by the Joint Committee at its meeting on 3 March 2008, report number JC4/2008 refers.

The new pay and grading structure and associated terms and conditions package were implemented on 1 July 2008. All Tayside Contracts employees who are covered by the single status agreement accepted the new terms and conditions either by volunteering to vary their contracts or by accepting re-engagement on the new terms and conditions.

I would like to take this opportunity to acknowledge the commitment and excellent work of our SSJE team consisting of Frank Reilly (Project Leader) Angie Dodds (Project Manager) and Clarcq Neville (Financial Services Officer) in the successful delivery of this project.

6.3 Equal Pay Compensation Payments

Equal pay compensation payments were offered to all employees with potential equal pay claims in accordance with the report approved by the Joint Committee at its meeting on 26 June 2006, report number JC 25/2006 refers. 95% of affected employees accepted the offer and compromised all claims related to equal pay up to and including 14 August 2006, the common settlement date for compensation offers.

However, Tayside Contracts has a further potential equal pay liability in respect of claims for what is known as the "gap" period from 15 August 2006 until 30 June 2008 (i.e. the date prior to the introduction of an equality proof pay structure). There is also a potential liability in respect of employees who did not compromise their claims in 2006 and who currently have employment tribunal claims pending. Tayside Contracts currently has 86 employment tribunal claims pending which are being case managed with no hearings listed as yet.

The resolution of potential equal pay claims will be dependant on the impact of a number of legal judgements which are currently going through the courts and which will inform the extent of all local authorities outstanding equal pay liabilities.

6.4 Financial Performance

The 2007/08 financial performance was reported to the Joint Committee at the meeting on 23 June 2008, report number JC16/2008 refers.

A summary of the financial performance is:

Income	-	£58.8 million an increase of £4.1 million compared with 2006/07
Operating surplus	-	£765k an increase of £273k compared with 2006/07

Further information is contained in Appendix 2 to this report.

6.5 Performance Monitoring

The business plan identified that the European Foundation for Quality Management (EFQM) model would be adopted as Tayside Contracts framework for measuring the performance of the organisation. This framework has been badged within Tayside Contracts as “Making Excellence Happen” or MEH for short and is now well established within the organisation. At the end of 2006 a self assessment of the organisation was undertaken and a good score of 308 was achieved. This score places Tayside Contracts in the EFQM banding of *“Up and running with systematic practices in place which uses feedback from people, suppliers and customers to improve business performance”*.

While this initial score shows that the organisation has very sound practices in place the process has identified a list of improvements which should be made under the concept of continuous improvement. An improvement plan was put in place to address these. Throughout 2007/08 there has been considerable progress with regard to this plan.

This has been confirmed through employee workshops which were held in November 2007 and also through the information obtained from the employee survey.

6.6 Annual Employee Survey

The annual employee survey was carried out in November 2007, as part of the culture towards Making Excellence Happen. The survey was conducted to establish the extent to which the values and performance measures we aspire to were understood and embedded into day to day work of our employees. The survey is also a means to engage with all our employees and afford everyone the opportunity to make a contribution to shaping the culture of Tayside Contracts.

A highly encouraging response rate of 43%, approximately 1000 employees, was achieved from the survey.

The key messages which came out of the survey are:-

- We have made good progress in bedding in our values and performance measures critical to the achievement of Tayside Contracts' aims and objectives.
- There is a strong sense of employees knowing what their roles are and how their work contributes to Tayside Contracts' overall objectives.
- There is a consistently positive message regarding how employees feel they are managed, developed, encouraged to work as a team and provide a quality customer-focussed service.
- An overwhelming majority of respondents described themselves as being happy working for Tayside Contracts.
- There is a feeling of dissatisfaction amongst over half of the respondents regarding employee benefits both in respect of pay and also other non financial rewards.
- Almost one third of respondents believe that they are understaffed.
- Whilst the majority of respondents believe that we are customer-focussed, there is concern that a sizeable majority believe that on occasions the quality of services to customers are compromised to meet deadlines and reduce costs.

Each unit now has an action plan in place which is aligned to their service plans to address the issues raised in the survey. The next survey will be carried out towards the end of 2008.

6.7 Property Rationalisation

The move to the new Ruthvenfield depot took place as planned on a phased basis during October 2007 to minimise the disruption to operations and the services provided by Tayside Contracts to our customers. Following this move the offices in Feus Road and Craigiehaugh depot were closed freeing up the Craigiehaugh site for a new school being built by Perth and Kinross Council.

As part of our west area property rationalisation plan the Dunkeld depot was programmed to close by April 2008. However, this has had to be delayed until the additional work being undertaken in Blair Atholl depot to which some of the employees are being transferred is completed. This will now take place towards the end of 2008.

6.8 Partnership Working

One of the key business objectives of Tayside Contracts is to increase the amount of work undertaken by partnering. The two existing pilot street lighting partnerships with Dundee City and Perth and Kinross Councils were combined in 2006/07 with the staff sharing offices in Tayside Contracts' depots in Dundee and Perth.

An informal partnering arrangement with Dundee City Councils for the provision of a Roads, Winter and Cyclic Maintenance service on a two year pilot also commenced in 2006/07. To further maximise efficiencies all the management and supervisory staff were brought together in Fairmuir Depot under a Roads Maintenance Manager at the start of the 2008/09 financial year. This has been very successful and is delivering tangible benefits to both Dundee City Council and Tayside Contracts.

Discussions are ongoing with the constituent Councils into other areas of partnering.

6.9 **Environmental Initiatives**

At Tayside Contracts we are well aware of the impact which all our operations have on the environment we live in as well as the effect that our works have on the public.

We have been looking at three different themes to reduce our carbon footprint which are:-

- Reduction in the amount of material we send to landfill sites.
- Recycling of material recovered from our operations.
- Reduction in the number of journeys when our vehicles are running unloaded. This has further been expanded in 2007/08 to look at ways to reduce the mileage run by our vehicles.

Over the life of the current business plan we have been focussing on the impact which our Construction Division has in respect of the environment as this can potentially give us the greatest savings.

We initially reduced the amount of material going to landfill sites and maximised the tonnage of recycled materials by setting up recycling centres throughout the Tayside area. In 2006/07 we recycled 84% of all our construction waste. This has increased slightly in 2007/08 to 85%. However, more importantly we have added value to our waste by incorporating it back into new bituminous material thereby reducing the need to use virgin aggregates.

Our first foray into adding value was to develop a hot mixed recycling process whereby we introduce recycled materials into the normal production process at Collace Quarry. As reported to the Joint Committee at its meeting on 20 August 2007, report number JC30/2007 refers, this resulted at that time in 6,178 tonnes of recycled asphalt material being added back into the production process which had yielded savings of £224,000. An added benefit of this approach has been that a recycling centre has been established at Collace Quarry and lorries which would previously have run empty to the quarry now run loaded with material for recycling which they can deposit before picking up a load of new material.

Since 2005 we have been developing new sustainable surfacing materials through a Knowledge Transfer Partnership with the University of Dundee as approved by the Joint Committee at its meeting on 21 March 2005, report number JC 12/2005 refers.

This development work has now been completed and we launched Tayset® - our new sustainable road paving system on 20 June 2008. This is a cold mixed system which makes extensive use of recycled materials, and has the advantages of:

- Environmental benefit through reduced CO₂ emissions and energy consumption.

- Through the use of recycled materials the new system assists in the conservation of virgin materials and will significantly reduce the amount of material requiring to be land filled.
- Offering an extended storage life with no waste generated.
- Reducing health and safety risks to employees through no heat or emissions being produced.

In addition, and equally as important for our customers is the fact that this material will be substantially cheaper than hot produced materials.

6.10 **Meal Numbers**

Meal numbers have continued to fall during 2007/08 due to reducing school rolls and resistance to the healthy eating initiatives.

We have been proactive throughout 2007/08 working with the client departments of the constituent Councils to change menus which are more attractive to pupils yet still meet all the requirements of the healthy eating guidelines.

Although the level of sales has reduced it is encouraging to note that in the main pupils are selecting healthy options in greater numbers. Consequently it is envisaged that the level of sales will gradually improve although full recovery may take two or three years being mindful that the nation as a whole is embarking on a huge cultural change.

6.11 **Schools PPP – Cleaning**

The Angus Council PPP schools started to come on stream in October 2007 with more due to open in 2008/09. The Dundee City PPP schools begin opening from the start of the 2008/09 financial year.

Both these contracts will provide a stable workload in the Angus and Dundee areas for many years to come.

6.12 **Income Gap**

The income gap identified in the business plan was successfully bridged during 2007/08 by obtaining additional work from the constituents Councils as well as winning work from other Councils, the Scottish Government and the private sector. Details of this are included in Appendix 2 to this report. Income from the constituent Councils is significantly higher than was anticipated when the business plan was being developed, through a combination of capital schemes, utilisation of Renewal and Repairs and Quality of Life funds and generally higher roads maintenance budgets along with Tayside Contracts success in winning more of the competitively-tendered schemes.

7. **REVIEW OF BUSINESS PLAN PRINCIPLES**

- 7.1 A review of the key aims, objectives and principles which underpin the business plan was carried out involving the senior managers within Tayside Contracts.

Based on the progress achieved in year 2 and the information currently available from the constituent Councils and the outcome of this review it is proposed not to change any of the key principles within the business plan.

- 7.2 During 2008/09 we will be working with the officers from the constituent Councils on the review team to ensure that the business plan continues to tie in with the various service plans and objectives of the constituent Councils.
- 7.3 To help us achieve our mission of “community benefit through the pursuit of excellence” and our vision “to excel and grow as a local authority commercial trading organisation it is essential that we clarify what it means for all employees of Tayside Contracts. We have identified “four pillars of progress” which we need to follow to achieve continued and improving success in the future. These are EXCEL, GROW, CUSTOMERS and PARTNERING. Clear definitions of success have been defined for each of these headings.
- 7.4 By adopting these clearly defined “four pillars of progress” we have been able to give more meaning to what our employees require to do to deliver the key targets identified within the business plan.

8. KEY ISSUES FOR 2008/09

- 8.1 The following are the key issues which have to be addressed during 2008/09.
- 8.2 Single Status Job Evaluation (SSJE) – the target is to have all appeals heard and resolved by the end of March 2009 or as soon thereafter as possible.
- 8.3 Equal Pay – after the outcome of the various legal judgements are known it is our intention is to resolve all outstanding equal pay claims we have.
- 8.4 Rising Costs – the greatest factor which we will have to address in 2008/09 is the inflationary increases we are facing particularly in relation to fuel, construction materials and food costs. In addition to this we will be facing increased costs associated with the new pay and grading structure as the transitional arrangements end. The key for management, if we are continue to be successful in the future is to control costs by looking at efficiency savings throughout the organisation
- 8.5 Budgets and income gap – identified within the business plan was an income gap based on information supplied by the constituent Councils of £2.273 million, see Appendix 2, for the revised figure based on more up to date information.
- 8.6 Partnering – the continuing expansion of partnering agreement with clients is seen as the most effective way of reducing costs and improving levels of service provision.
- 8.7 Catering – the challenge is to increase the number of pupils utilising the schools meals service particularly in the secondary schools. Joint initiatives have been developed with the Education department staff in the constituent Councils to address this situation.
- 8.8 Welfare Meals – the aim is to continue to increase the uptake of welfare meals from our state of the art cook chill facility, Tay Cuisine.

- 8.9 PPP Schools – The PPP schools in Dundee and Angus will continue to come on line during 2008/09 which will impact on the workload of the cleaning unit.
- 8.10 Property Rationalisation – Discussion will continue with Angus Council on the opportunities for depot sharing and investment in remaining properties.

9. DIVERSITY AND EQUALITY IMPLICATIONS

- 9.1 There are no specific diversity or equality implications relating to the content of this report.

10. FINANCIAL IMPLICATIONS

- 10.1 There are no specific financial implications associated with the approval of this report.

11. CONSULTATION

- 11.1 The Clerk and the Proper Officer of the Joint Committee have been consulted on the preparation of this report.

12. CONCLUSION

- 12.1 The business plan is the most important element in Tayside Contracts planning process for the future. The development of this plan has ensured that the key objectives have been identified and the method and success criteria for the achievement of these clearly defined.
- 12.2 This report provides the Joint Committee with information in relation to progress against these key elements in the business plan.



**IAIN C WADDELL
MANAGING DIRECTOR**

BACKGROUND PAPERS

No background papers were relied on in preparing this report.

ICW/MJP
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COMMITTEE PORTS/icw.business.plan.2007/08.annual.review.august.2008

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APPENDIX 1

Corporate Results Framework - Key Performance Outcomes

Business Plan Objectives	Key Results	Performance Measure	2007/08 Target		2007/08 Performance		2008/09 Planned	2008/09 Revised
Provide a Cost Effective Quality Service	Financial Targets	Turnover	£'000	55,926	✓	58,847	60,822	58,393
		Surplus	£'000	605	✓	659	915	600
		Stat. Trading A/c- Construction	£'000	413	✗	35	50	130
		Stat. Trading A/c- Facilities	£'000	80	✓	242	50	80
		Cash Flow - Average Overdraft	£'000	-2,500	✗	-3,913	-3,000	-3,000
		Capital Expend	£'000	2,366	✓	2,135	1,920	2,117
		Retain/Extend Accreditations	Y/N	Y	✓	Y	Y	Y
	Quality Standards							
Sustain and Expand our Customer Base	Increase in Turnover	Turnover - Constituent Councils	£'000	46,148	✓	46,471	45,320	47,757
		Turnover - Other Customers	£'000	9,778	✓	12,376	15,502	10,636
	Partnering	Income from Partnerships	%	18%	✗	17%	20%	20%
Effectively Manage and Develop our People	Sickness Absence	Manual	%	6.0%	✗	6.7%	6.8%	6.0%
		APT & C	%	4.0%	✗	6.5%	4.3%	4.0%
	Employee Satisfaction	Survey Satisfaction Rating	%		✓	58.3%		60.0%
		Employee Retention	Employee turnover	%	16.5%	✗	19.3%	16.0%
	IIP Accreditation	Retain Accreditation	Y/N	n/a	n/a	n/a	Y	Y
	Tayreview Targets	Training Plan Delivered	%	78%	✓	84%	80%	80%
	Equality & Diversity	Women in Top 2% Earners	%	17%	✓	20%	17%	21%
		Women in Top 5% Earners	%	28%	✓	35%	28%	36%
Carry out our work Safely and Minimise the impact on the Environment	Accident Statistics	Reportable Accidents		<30	✓	24	<23	<23
	Environmental	Recycling	%	85%	✓	85%		85%
		SEPA Reportable			0	✓	0	0

TAYSIDE CONTRACTS - SUMMARY OF FINANCIAL PERFORMANCE 2007/08, AND 2008/09 BUDGET/PLAN

	----- 2007/08 BUDGET -----			ACTUAL 12 MONTHS TO MARCH 2008			----- 2008/09 BUSINESS PLAN -----			----- 2008/09 BUDGET -----		
	CONSTRUCTION DIVISION	FACILITIES SERVICES	TOTAL	CONSTRUCTION DIVISION	FACILITIES SERVICES	TOTAL	CONSTRUCTION DIVISION	FACILITIES SERVICES	TOTAL	CONSTRUCTION DIVISION	FACILITIES SERVICES	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
INCOME												
WINTER MAINTENANCE	5,438		5,438	5,558		5,558	5,711		5,711	5,773		5,773
STREET LIGHTING	4,300		4,300	4,004		4,004	3,500		3,500	4,000		4,000
COUNCIL ROADS MAINTENANCE	17,600		17,600	18,247		18,247	14,900		14,900	19,105		19,105
	<u>27,338</u>			<u>27,809</u>			<u>24,111</u>			<u>28,878</u>		
TRUNK ROADS	500		500	755		755	4,285		4,285	750		750
LANE RENTALS	3,000		3,000	2,244		2,244	1,500		1,500	1,500		1,500
QUARRY EXTERNAL SALES	1,658		1,658	3,419		3,419	1,500		1,500	2,237		2,237
VEHICLE MAINTENANCE EXTERNAL	240		240	211		211	220		220	280		280
WEST LOTHIAN	800		800	578		578	0		0	0		0
OTHER CONSTRUCTION	1,120		1,120	5,169		5,169	3,000		3,000	5,212		5,212
INCOME GAP	<u>2,460</u>		2,460			0	<u>4,355</u>		4,355			0
	<u>9,778</u>			<u>12,376</u>			<u>14,860</u>			<u>9,979</u>		
CLEANING		9,031	9,031		9,140	9,140		9,595	9,595		9,592	9,592
CATERING		9,779	9,779		9,522	9,522		10,076	10,076		9,944	9,944
SSJE LABOUR COST RECOVERY								2,180	2,180		608	608
	<u>37,116</u>	<u>18,810</u>	<u>55,926</u>	<u>40,185</u>	<u>18,662</u>	<u>58,847</u>	<u>38,971</u>	<u>21,851</u>	<u>60,822</u>	<u>38,857</u>	<u>20,144</u>	<u>59,001</u>
EXPENDITURE												
DIRECT LABOUR	11,249	11,503	22,752	10,174	11,558	21,732	11,736	12,402	24,138	11,113	12,073	23,186
SSJE IMPACT ON LABOUR COST						0	0	2,180	2,180	106	608	714
MATERIALS	10,297	3,326	13,623	12,355	3,140	15,495	10,669	3,215	13,884	11,487	3,380	14,867
PLANT HIRE	1,680		1,680	1,997		1,997	1,627		1,627	1,860		1,860
SUB-CONTRACTORS	3,718		3,718	4,987		4,987	4,248		4,248	4,023		4,023
LEASING COSTS	1,033		1,033	873		873	1,541		1,541	873		873
DIRECT OVERHEADS	3,820	2,534	6,354	3,830	2,442	6,272	4,049	2,488	6,537	3,668	2,623	6,291
CENTRAL OVERHEADS	2,182	1,055	3,237	2,249	1,027	3,276	2,425	1,111	3,536	2,346	1,069	3,415
DEPOT COSTS	1,351		1,351	1,468		1,468	1,380		1,380	1,435		1,435
INSURANCES	510	142	652	540	153	693	236	200	436	446	151	597
DEPRECIATION	552		552	828		828	0		0	800		800
CFCR	213		213	329		329	400		400	200		200
	<u>36,605</u>	<u>18,560</u>	<u>55,165</u>	<u>39,630</u>	<u>18,320</u>	<u>57,950</u>	<u>38,311</u>	<u>21,596</u>	<u>59,907</u>	<u>38,357</u>	<u>19,904</u>	<u>58,261</u>
OPERATING SURPLUS / (DEFICIT)	<u>511</u>	<u>250</u>	<u>761</u>	<u>555</u>	<u>342</u>	<u>897</u>	<u>660</u>	<u>255</u>	<u>915</u>	<u>500</u>	<u>240</u>	<u>740</u>
UNAPPORTIONED OVERHEADS			156			138			0			140
TRANSFER TO R&R FUND						100						
OPERATING SURPLUS / (DEFICIT)			<u>605</u>			<u>659</u>			<u>915</u>			<u>600</u>