

TAYSIDE CONTRACTS JOINT COMMITTEE – 25 AUGUST 2008

Report by the Managing Director

Subject: **WORKLOAD UPDATE**

ABSTRACT

This report provides the Joint Committee with an update of the workload for the Facilities Services Division and Construction Division for the first quarter of 2008/09 and projections for the second and third quarters of 2008/09, together with detailing the action being taken in response to these workloads.

1. RECOMMENDATION

It is recommended that the Joint Committee notes the contents of this report and that further detailed reports will be brought forward as necessary.

2. FACILITIES SERVICES DIVISION

Catering Unit

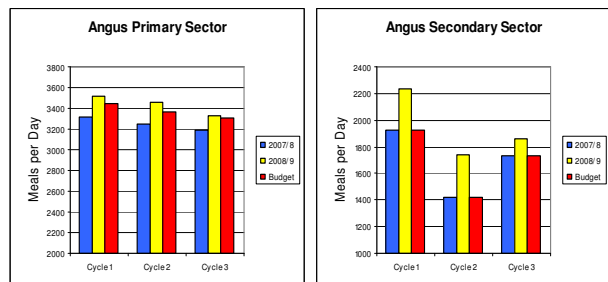
2.1 General

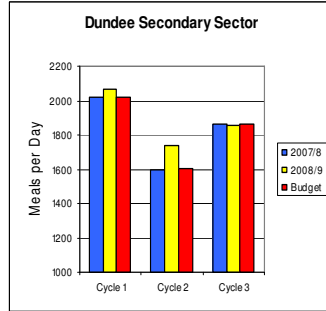
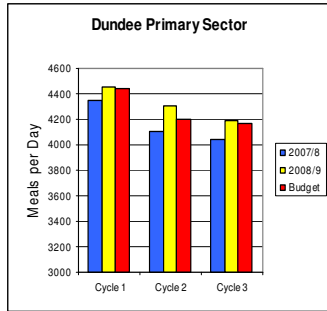
Tayside Contracts continues to monitor the school and welfare meals uptake in Angus, Dundee and Perth & Kinross. There are some continuing concerns regarding the level of uptake of school meals.

2.2 Current Position

The following charts show the relative position of meal sales against budget in each of the areas and sectors for the final three months of the 2007/08 financial year. They also show the level of performance against last year's sales flexed to mirror the same number of trading days.

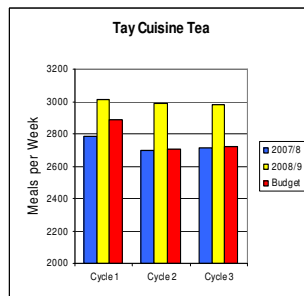
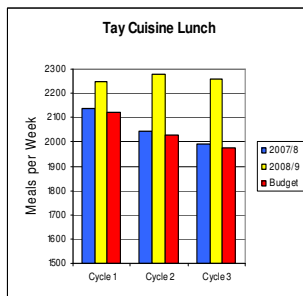
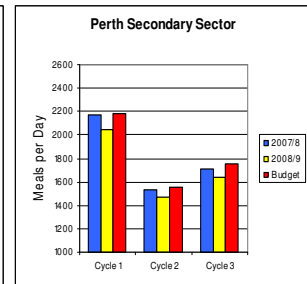
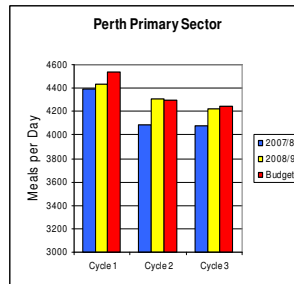
Primary meal sales in Angus are just under 2% above budget and are nearly 6% above last year's sales. Sales in the secondary sector have been exceptional at in excess of 14% ahead of budget and of last year's sales. This confirms that the reduction due to the new Hungry for Success (HfS) menus has bottomed out and meal sales are on the increase.





Primary meal sales in Dundee are more than 1% above budget and are just under 4% above last year's levels. Meal sales in secondaries in Dundee in excess of 3% above budget and of last year's levels. These are good solid figures and reinforce the view that initial resistance to the new menus has been overcome.

Primary meal sales in Perth during the first quarter of this year are just under budget which is just under 4% above last year's sales which is encouraging. However the poor level of secondary meal sales continues at almost 6% below budget which is in excess of 4% below last year. This is concerning and must be due in part to resistance to the new menus

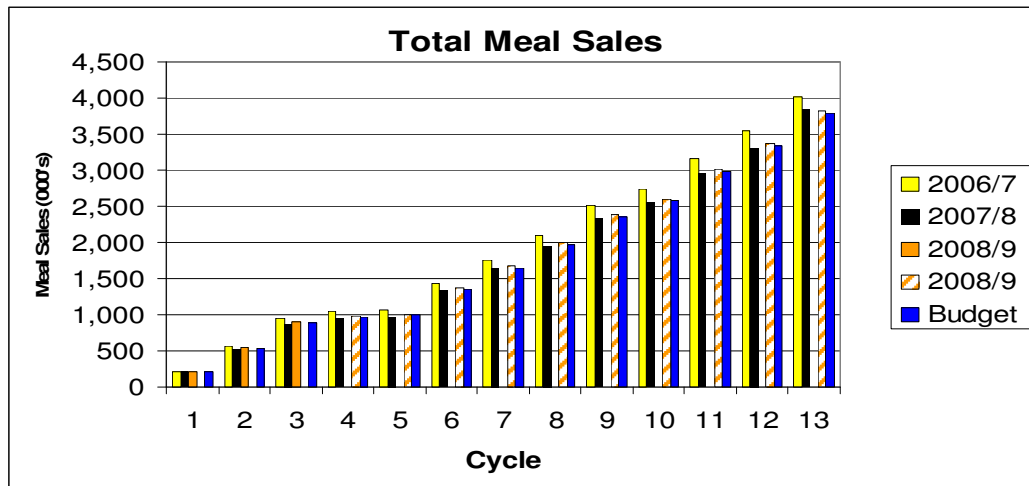


Tay Cuisine lunch sales for the first quarter have improved to nearly 11% above last year's sales which is almost 10% above budget. Teas have continued to pick up and are over 8% above budget and just under 10% above last year. Teas account for the greater proportion of sales as lunches are only provided on weekdays. These figures are encouraging but total sales still only equate to some 70% of minimum cost effective capacity.

The overall impact for the three month period is an increase of just under 6% in meals compared with last year in terms of average meals per trading day and is 2% ahead of budget. This is encouraging given the disappointing performance in the secondary sector in Perth & Kinross. Action is being taken improve this position. Costs will continue to be monitored in order to reduce the impact of the current reduction in meal sales against budget

2.3 Anticipated Workload

The following chart shows the trend of meal sales this financial year measured against both the budget and the last two years sales flexed to mirror the same number of trading days. It also shows the projected meal sales for 2008/9 flexed to mirror the same number of trading days.



Angus and Perth & Kinross Councils increased meal charges by 5p in April and Dundee City Council will levy an increase of 15p during August. Overall school rolls have fallen and it is anticipated that this will continue. The school rolls and free meal numbers both indicate a potential reduction in the number of school meals to be provided unless the level of uptake can be further improved.

Resistance to HfS in Secondary Schools is likely to continue given that the Schools (Health Promotion and Nutrition) Act 2007 will impose further restrictions on the type and variety of popular drinks, snacks and home baked goods from August 2008 for primary schools. However the implementation date for secondary schools has been delayed to August 2009 allowing time for further consultation with food manufacturers and pupils. The proposed changes coupled with a reduction in the frequency of other popular items on the menu continues to suggest that pupils resistant to the changes will access confectionery/carbonated drinks and other less healthy foods via vans parked close to school gates, local shops/supermarkets and takeaways.

Tayside Contracts will continue to consult with pupils through tasting sessions designed to solicit customer reaction prior to implementation of the changes to the final product portfolio. It is vital to communicate future changes in service provision in a consultative and engaging manner to permit pupils and headteachers to fully understand and participate in this journey of change. If the service is promoted positively to pupils and parents on a `whole school approach` basis it is likely that they will continue to support the service.

Tayside Contracts remains pro-active in working closely with suppliers and manufacturers to establish a product portfolio which is both compliant with legislative requirements and more importantly meets the needs of our customer base.

It is encouraging to note that in the main pupils are choosing healthy meals in greater numbers. Consequently it is considered that the level of sales will gradually improve although full recovery to previous levels may take up to three years being mindful that the nation as a whole is embarking on a huge cultural change.

Although the uptake of meals produced by Tay Cuisine is well above budget for this year it is not as great as originally anticipated when the facility was designed and is still well short of the optimum levels required to operate the facility cost effectively.

Tayside Contracts have been successful in winning the Tayside Police Catering Contract at both Bell Street Headquarters and Balluniefield Training Centre with effect from 4th August 2008. This is a prestigious catering contract and the Catering Unit is keen to forge a long and mutually beneficial partnership.

Tayside Contracts and the respective clients are continuing to work in partnership to increase sales across the catering unit through a variety of sources, including a radio advertising campaign on Radio Tay.

2.4 Summary

It is expected that the overall workload of the unit in terms of school meals during the next five year period could reduce significantly in line with falling school rolls particularly in Dundee. Consequently reviews of the service delivery are being undertaken in partnership with the three Councils in order to retain cost effectiveness and best value. There are concerns regarding the uptake of school meals particularly in relation to school rolls, reducing free meal entitlement, HfS implementation in the secondary sector and the level of sales at Tay Cuisine.

Cleaning Unit

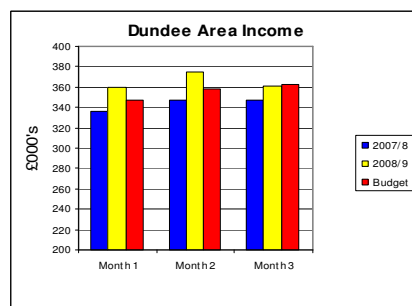
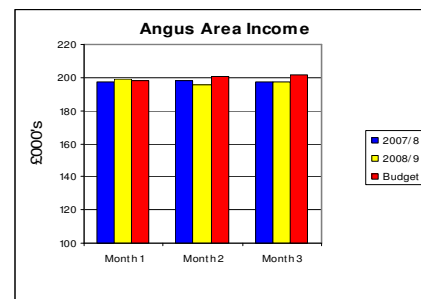
2.5 General

Tayside Contracts continues to monitor the overall workload in the Cleaning Unit in the three Council areas. There are no major concerns regarding the workload at this particular time.

2.6 Current Position

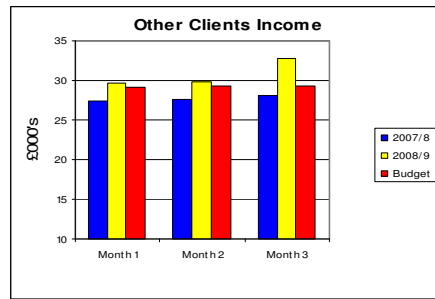
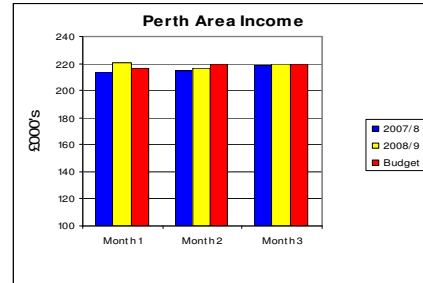
The following charts show the relative position of income against budget in each of the areas and sectors for the first quarter of the 2008/9 financial year. They also show the level of performance against the similar period for last year.

The actual income in the Angus area for the first quarter of the year is over 1% down on target which is mainly due to a reduction in the number of variation orders. It is slightly down on the performance in the previous year. It is not anticipated that workload will fall any further.



The actual income in Dundee for the first quarter of the year is nearly 3% above budget. This is mainly due to carrying out “Builders Cleans” for the new PPP schools. The income is ahead of the performance in the previous year for the same period by over 6%. The overall trend indicates that workload is increasing but it is unlikely that the performance level will continue at the same level as the first quarter.

The actual income for Perth is just ahead of budget for the first quarter. Income is up on last year by almost 2% which again demonstrates that workload is fairly consistent.

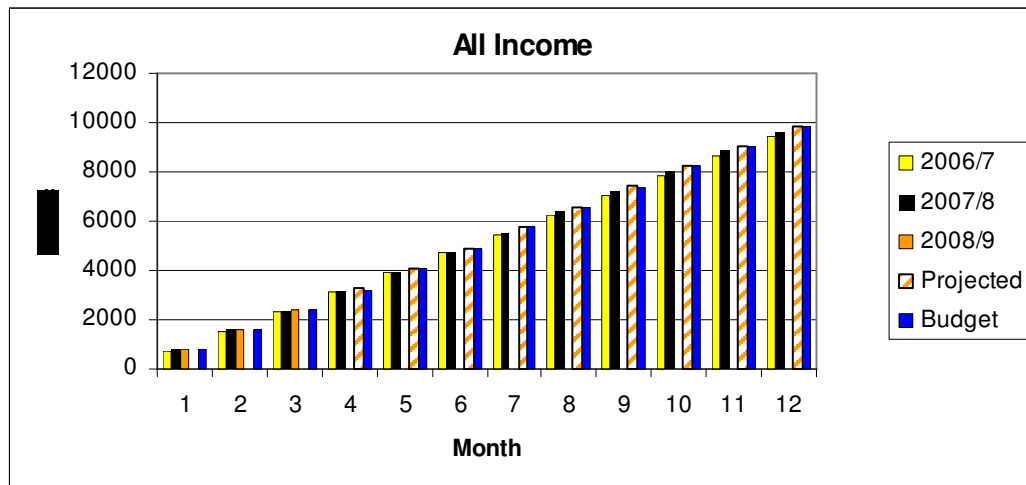


The actual income for other clients is ahead of budget for the final quarter by over 5%. It is significantly above the income in the previous year by just under 11% which is mainly due to the winning of some Housing Association work.

Overall the workload in the final quarter is 1% above the budget and is well over 3% ahead of last year's figures. This demonstrates that there is an increasing workload.

2.7 Anticipated Workload

The following chart shows the trend of workload this financial year measured against both the budget and the last two years sales. It also shows projected workload for the financial year 2008/9



The overall income as demonstrated by the chart shows that for the year it is ahead of expected budget by over 1%.

The future trend of workload appears to be fairly stable and changes will be very much determined by the opening of the new PPP schools in all three Council areas. The chart indicates that the projected income for the new financial year will show a modest increase of nearly 3% in real terms over 2007/8.

In the Angus area the Cleaning Unit has successfully concluded contract negotiations with the FM supplier for Angus to provide the cleaning services to the PPP schools although the contract has yet to be signed due to legal delays. Cleaning work has already commenced at four new schools and with the remaining schools due to open during financial year 2008/9 workload will continue to increase.

The Cleaning Unit has commenced cleaning four of the new Dundee PPP schools and the success of both the Angus and Dundee PPP contracts will provide a stable workload in both the Angus and Dundee areas.

The loss of the Perth PPP schools contract will not impact on workload until financial year 2009/10 when the first of the schools is expected to be opened. Accordingly the workload will be fairly stable until then although there will be a potential drop when the Perth PPP schools start to open.

The Cleaning Unit has now adopted a Marketing Plan to overcome this potential loss and negotiations continue on three reasonably sized contracts throughout Tayside which if successful will more than overcome the Perth PPP loss. It is hoped that some of these potential contracts can commence within a year.

2.8 Summary

In the short term there are some negative changes to the Cleaning Unit's workload as a consequence of a reduction in the number of variation orders. However there are compensating increases in workload associated with office and close cleaning workload and the commencement of the Angus and Dundee PPP schools cleaning.

In the medium to long term the Marketing Plan will target other markets of possible work which are available and compatible with the current services and the Cleaning Unit will endeavour to bridge and exceed any anticipated income gap.

Construction Division

3.1 General

The previous workload update, report number JC12/2008, provided to the Joint Committee in May 2008 indicated that the workload position for the first and second quarters of 2008/9 gave no cause for concern as client budgets were at or exceeded the previous years budgets. There was a need to determine the effect of construction inflation on the budgets in terms of actual work on the ground.

3.2 The Current Position

1. April – June 2008

In the main work programmes got off to a good start particularly so in Angus and the West area. Dundee client works were a bit slow to commence but private work was found to offset the lack of Council work in the early part of the quarter.

Carryover work from the previous financial year helped the good start particularly in the West were surfacing work on the A93 Craighall Gorge and the Broxden Park and Ride Extension helped Collace Quarry to exceed targeted tonneages. Routine and Cyclic work commenced in all Council areas as did seasonal operations such as surface dressing.

Some movement of resources took place during the quarter to balance out workload issues. Perth Highland area has, for sometime, had difficulty supporting the number of operatives required for winter maintenance and personnel are frequently moved to undertake work in other areas. This movement usually takes place in later quarters but this year the process has commenced much sooner. A lane rental contract on the A90 Perth to Dundee was priced during the quarter but unfortunately was not secured. Competition for these contracts remains fierce but with another possible two tenders to come out securing at least one contract in the year remains a possibility.

Two significant events took place during the quarter the first was the establishment of the Dundee Road Maintenance Partnership as an integrated team operating from Fairmuir Depot. The slow start to the year in Dundee was, in part, attributable to the relocation of client staff to Fairmuir but already benefits are being seen as a result of the integration process.

The second event was the launch of a new paving process developed by Tayside Contracts in conjunction with the University of Dundee and NYNAS. The material, named Tayset[®], is made from recycled asphalt planings and uses cold applied bitumen to produce an environmentally friendly and lower cost surfacing process. The launch took place at Collace Quarry and was attended by a wide range of interested parties.

3.3 The anticipated workload position for the second and third quarters of 2008/9

1. July – September 2008

Work programmes are already being established for this quarter and it is anticipated that there should be no workload concerns in any area as long as movement of resources continues to take place.

The effects of construction inflation will almost certainly be felt during this quarter with fuel, energy and bitumen costs all rising at an alarming rate. Discussions are already underway with client departments as to how the inflation effect might be accommodated. If the effect of construction inflation is to be contained within client budgets then future quarter's workload will be a concern.

The first service to feel the inflation effect is likely to be street lighting. The new energy contract which came into force on the 1 July 2008 is over 40% higher than the previous contract. It is highly unlikely that this increase can be contained within street lighting revenue budgets without severely affecting the service.

Discussions are underway to secure further work packages from the GWest scheme near Gleneagles and also the Drumderg windfarm and if successful will provide good continuity of work for the rest of the calendar year. It is hoped that a significant scheme won in competition from Angus Council will be commenced in this quarter. The A934 Carcary Carriageway Works contract is valued at approximately £513k and is to be completed within 35 working days.

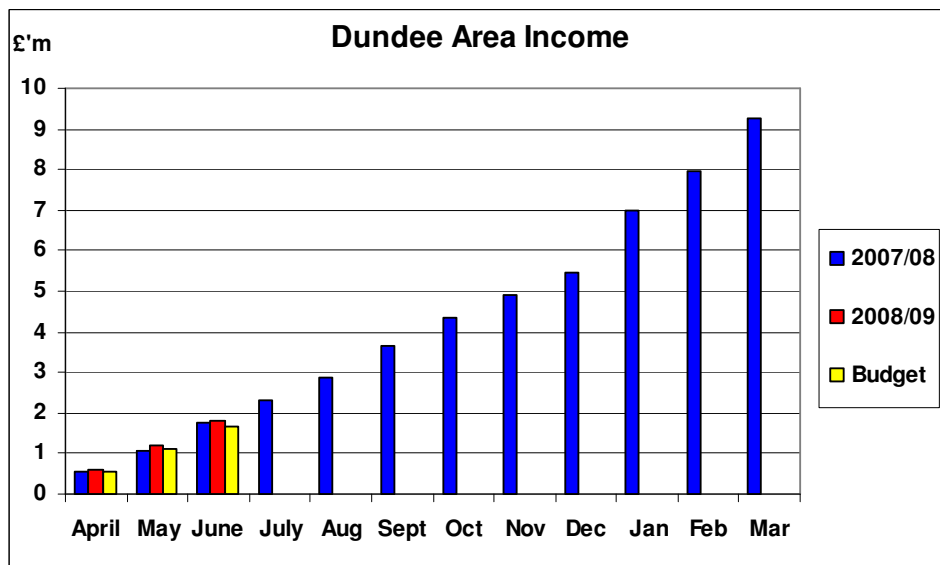
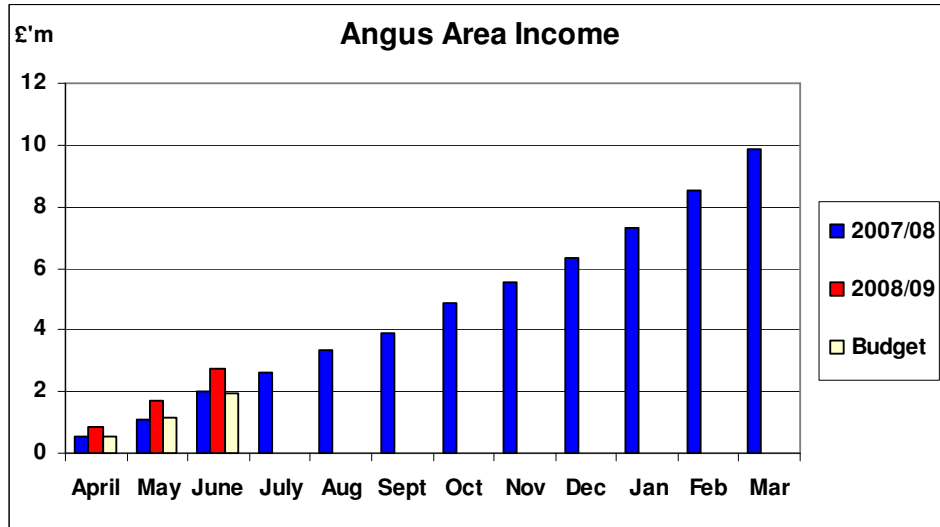
2. October – December 2008

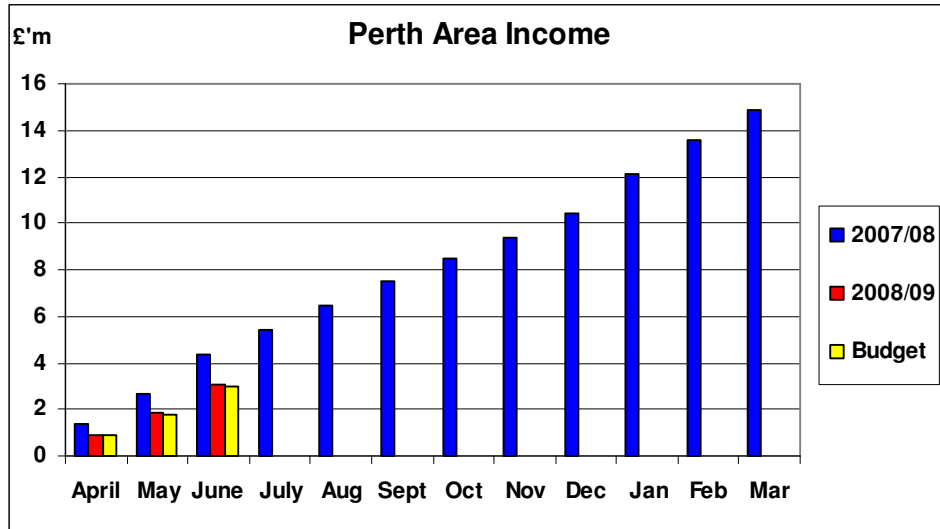
The third quarter workload is dominated by the effects of winter and therefore is not predictable to any great degree, however, the pattern of the last few winters has been such that normal operations have continued almost to the end of the calendar year before winter begins to 'bite'.

Work programmes will be prepared on the basis that this pattern will continue for the coming season. It is anticipated that the full effects of construction inflation will be felt during this quarter as known price increases come to fruition. Discussions with client departments will centre round keeping the resources required for winter maintenance operations gainfully employed during periods of clement weather.

3.4 Summary

The graphs below show the actual income position in each of the Council areas for the first quarter of 2008/9 together with the budget figure. Also shown is the previous year's actual income.





4. DIVERSITY AND EQUALITY IMPLICATIONS

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

5. FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

6. CONSULTATION

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

7. CONCLUSION

This report details the issues which affected the workload in the various units for the first quarter of 2008/09 and the potential workload for the second and third quarters of 2008/09.

Iain C. Waddell

**IAIN C WADDELL
MANAGING DIRECTOR**

BACKGROUND PAPERS

No background papers were relied on in preparing this report.