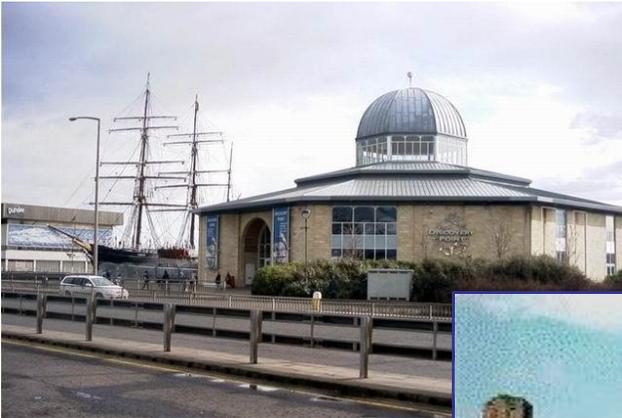


ANNUAL PERFORMANCE REPORT 2009/10



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Introduction

The Local Government in Scotland Act 2003 introduced a statutory duty for local authorities to make arrangements to secure Best Value. A key requirement of this Act, under Section 13 (1), is the duty of a local authority to make arrangements for reporting the outcome of the performance of its functions to the public. Section 13 of the Act specifically extends this requirement to Joint Boards and Joint Committees as well as to Councils.

The nature and content of Tayside Contracts performance report differs substantially from those produced by the constituent Councils. The public performance reports published by Councils are largely influenced by the Statutory Performance Indicators (SPIs) which have been drawn up by Audit Scotland in order to facilitate comparisons between local authorities' performance in different years and with other local authorities. Given their focus on areas such as Education, Social Work, Housing, Environmental Services, Planning, Sport & Leisure and collection of Council Tax, the vast majority of those SPIs are not applicable to Tayside Contracts. Those SPIs which can be applied to Tayside Contracts have been included in this report.

The focus of this report is, therefore, on three key aspects of Tayside Contracts activities and performance:

- Employees
- Financial Outcomes
- Operational Activities and Performance

The report is not intended as a detailed management information document, but rather as a summarised guide to some of the key statistics and performance indicators that underpin the business of Tayside Contracts. This report is continuously refined and amended year on year as additional relevant and robust information is collected.

Managing Director's Overview

Tayside Contracts is increasingly regarded as an excellent example of local authorities working together to the benefit of the public, and in many ways is viewed as a model for the shared services agenda promoted by the Scottish Government and being progressed across a range of public bodies. It was set up in its present form at local government re-organisation in 1996 by Angus, Dundee City and Perth & Kinross Councils, and is unique within Scotland as a joint local authority trading organisation. Tayside Contracts employs in excess of 2,200 people, has an annual turnover in excess of £60 million, and since 1996 has returned more than £13 million to the constituent Councils in the form of surpluses.

Since 1996 Tayside Contracts has had a mission statement which is “community benefit through the pursuit of excellence”, clearly demonstrating our commitment to providing quality services to the public of Tayside. The mission statement is supported by our vision for Tayside Contracts, which is “to excel and grow as a commercial local authority trading organisation”. In order to measure progress towards achievement of our vision, Tayside Contracts Business Plan for the period 2006 to 2011 is underpinned by four key business objectives:

1. To produce a cost effective, profitable, quality service that satisfies customer expectations.
2. To sustain and expand our customer base
3. To effectively manage and develop our people
4. To be proactive in promoting positive Health and Safety and an environmentally friendly approach to providing services.

A range of key performance outcomes are included in the business plan as a means of measuring progress and performance against those objectives. These measures are monitored on a quarterly basis, and reported annually to the Joint Committee. Many of those measures are included in this report. As we are now into the final year of the 2006 to 2011 business plan, work has now commenced on developing the new business plan for the period 2011 to 2014. A project team, including senior representatives from each of the constituent Councils, is developing the new plan in alignment with the Councils' objectives, strategies and priorities, which is particularly important in the current economic climate and the severe budget pressures facing all local authorities in the coming years.

Tayside Contracts annual report for 2009/10 (Report No. JC 30/2010) provides some comment on progress and achievements against the key business plan objectives, and the Business Plan progress report (Report No. JC 28/2010) provides more detailed comment on performance against targets for 2009/10. These reports should be read in conjunction with this performance report. For the purposes of this annual performance report, the focus remains on the critical elements which underpin delivery of the business plan objectives – our employees, the services that we provide and our financial performance.

To deliver a consistent and sustained high quality of service it is crucial that Tayside Contracts continues to recruit, retain and develop employees who are rewarded fairly and equitably. In 2008 Tayside Contracts implemented a revised and 'equality proof' pay and conditions package, in accordance with the Single Status Agreement, which harmonised the pay and conditions of all employees covered by the Agreement and in 2009 agreement was reached with Craft

employees so that all employees are now governed by a single consistent set of pay grades, terms and conditions. As with all other local authorities, the Single Status project was a long and arduous journey and the successful implementation of the revised pay system was a significant achievement on the part of all involved. The revised terms and conditions are fundamental to Tayside Contracts achieving our business objectives as they have not only secured equality of pay but have also laid the groundwork for developing more modern and flexible working practices which will improve the quality of our services to our customers and help meet the work-life balance sought by our employees.

It is also vitally important that our employees work in an environment which promotes a commitment to their health, welfare and development. During 2009/10, a further improvement in Tayside Contracts already good health and safety performance was recorded, with no serious accidents reported, and a continuation of the downward trend in the number of reportable accidents. Investment in training and development continues to be both targeted and cost-effective.

A strategic and pro-active approach to sickness absence management continues to be applied, and, while absence rates rose slightly in 2009/10, they continue to be below Business Plan targets. Despite the small increase in absence levels, the direct costs of sickness absence fell by some £100k in the year.

The financial performance in 2009/10 was sound, with the surplus of £1.022m being in excess of the amount targeted for distribution to the constituent Councils. This has enabled £800k (an additional £300k) to be returned to the Councils and a further increase in the general reserve fund retained by Tayside Contracts for future agreed use.

Both the Construction and Facilities Services Divisions returned operating surpluses for the year, and both have achieved the statutory objective of breaking even over a rolling three year period on their Trading Accounts. The Construction Division has earned a surplus of £805k over the relevant three year period 2007/08 to 2009/10 and the Facilities Services Division a surplus of £1.710m.

Within the Facilities Services Division, workload in the Cleaning Unit reduced slightly with the loss of PPP schools in Perth & Kinross. Cleaning operations continue to deliver services to a high standard, and the quality monitoring system is providing management information to ensure these high standards are maintained throughout the services provided.

The Catering Unit continues to demonstrate a very strong commitment to the highest quality standards, reflected in their on-going achievements in gaining national recognition and awards and positive feedback from statutory HMIE school inspections. Meal numbers in the past year have shown a sustained recovery following the initial adverse impact of the healthy eating programmes, and larger numbers of pupils are now eating healthier meals.

The Construction Division, which includes roads construction and maintenance, winter maintenance, street lighting, vehicle maintenance, quarry and sign manufacturing, had a good year despite the impact of the economic climate on non-Council work and ongoing inflationary pressures, particularly with oil-based products such as fuel and bituminous materials. The responsiveness and contribution of the workforce was again evident throughout the year (particularly during the very severe winter conditions) in delivering a strong and improving operational and financial performance. This is further evidenced by the extension of both the Dundee Roads Maintenance Partnership and the Street Lighting Partnership for Dundee City and Perth & Kinross Councils.

Winter conditions were amongst the worst in over 40 years in terms of both sustained low temperatures and heavy, prolonged snowfall. Tayside Contracts personnel provided a significant input not only into frontline gritting and snow clearing provision, but also into much of the national and regional strategic decisions that were required in the extreme conditions.

At Tayside Contracts we are committed to the promoting sustainability and protection of the environment in which we live, and I believe we have invested heavily and been very innovative in our approach to this aim through developments such as reed beds, Tayset, recycling of aggregates and asphalt planings, and more recently use of Baldovie ash as a filler in certain asphalt products.

An innovative Business Improvement Technique process is progressing through the Knowledge Transfer Partnership with the University of Dundee, to embed Lean Construction techniques into our processes. This approach will bring lasting benefits to the Construction Division and underlines our commitment to innovation, excellence and driving out waste throughout the organisation.

General overhead costs required to provide the infrastructure and support services for front-line operations continue to be well controlled and managed, and have again been brought in under budget and below the previous year's cost despite high levels of operational activity and inflationary pressures.

Further more detailed information can be read in the divisional operational reports contained in the Annual Report.

The specific measures included in this report include the statutory indicators relating to street lighting, and statistical information on construction operational activities, school and welfare meal trends and cleaning activity. In addition performance information for the cleaning and catering services is now being gathered through the APSE performance networks, and is provided within this report to demonstrate Tayside Contracts productivity and cost-effectiveness compared to national averages and to Councils with similar demographics. Performance measures and statistical information will continue to be further developed and reported in future years as robust and meaningful information is collected.

Iain C Waddell
Managing Director
27 October 2010

Employee Statistics and Measures

The vision for Tayside Contracts is “to excel and grow as a commercial local authority trading organisation” and our success in achieving our vision will be reflected in the provision of quality services to the communities we serve.

Our employees are the key to our success and their health, welfare and development are vitally important to us. Effective employment, safety and training policies are required to ensure that we manage the business within a culture of mutual benefit and respect. We need to understand what expectations we have of each other and to communicate in a positive and open manner.

We are committed to developing a competence-based culture where all employees have access to training and development opportunities which will allow them to carry out their work safely and to the required standard, whilst also identifying potential for the future.

Furthermore a range of measures are in place to assess our performance by reference to national standards, for example: our achievement of Investors in People status, comparison of our accident statistics against the HSE's Revitalising Health and Safety targets and, where possible, by benchmarking against other local authorities in Scotland in relation to levels of sickness absence.

Details of Tayside Contracts' performance in 2009/10 are provided in the following section and in general provide positive feedback on our efforts through the year.

Single Status and Equal Pay

It is widely acknowledged that the implementation of Single Status presented Tayside Contracts and all other local authorities with the single greatest challenge faced by local government employers in recent times. The Single Status Agreement sought to harmonise the pay and conditions of “staff” and “manual workers” and to introduce a pay and grading system which was free of gender bias.

On 1 July 2008 Tayside Contracts successfully implemented a revised, modernised and “equality-proof” pay and conditions of employment package for all employees covered by the Single Status Agreement. An independent Equality Impact Assessment conducted by an external consultant on behalf of Tayside Contracts concluded that:

‘The proposed pay structure and associated terms and conditions package improves the gender pay gap considerably... (and following the end of pay protection on 30 June 2011) ...we will witness a complete resolution to the gender based pay gap.’

Following the implementation of Single Status there remained the potential for Catering and Cleaning employees to raise an equal pay claim in respect of Tayside Contracts Craft Workers who were not included in the Single Status pay and conditions package. However, in May 2009 a local Collective Agreement was reached with Tayside Contracts recognised Trade Unions which retrospectively harmonised the pay and conditions of Tayside Contracts Craft Workers with the Single Status employees with effect from 1 July 2008, thus removing pay inequality across the entire organisation.

Retrospectively, Tayside Contracts, along with most other local authorities nationally, faced the prospect of equal pay claims relating to the period prior to the implementation of Single Status.

Tayside Contracts had previously resolved all potential equal pay claims (with the exception of one employee) up to a common settlement date of 14 August 2006. The period between 14 August 2006 and 30 June 2008 (the day prior to the implementation of Single Status) became known as the “Gap Period”. The Tayside Contracts Joint Committee gave approval to resolve the “Gap Period” through equal pay compensation payments being offered to all affected employees who agreed to sign agreements compromising all equal pay claims related to the period prior to the implementation of Single Status. This exercise was successfully concluded at the end of 2009, at which time all retrospective and also potential future pay inequality issues and equal pay risks were fully resolved.

Employee Numbers

Tayside Contracts has an establishment of some 2,700 jobs and over the past five years has provided employment to on average 2,300 people, some of whom have 2 or more jobs. Employee numbers have gradually reduced over the past five years through more efficient and productive ways of working, from 2,400 in 2005 to 2,213 at March 2010. The contribution of this level of employment to the local economy can be measured from a total employee cost of some £30m. The nature of the work in the Cleaning and Catering Units dictates that more than 75% of Tayside Contracts employees are part-time, with full-time equivalent staff numbers of 1,300.



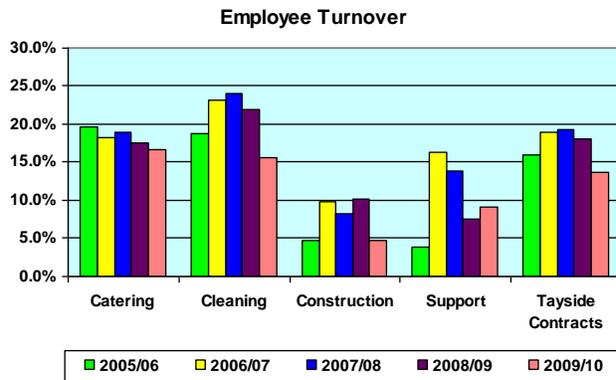
Employee Retention

Fundamental to Tayside Contracts success is the need to recruit and retain the number and quality of employees required to achieve our business objectives. In 2009/10 the organisational turnover rate decreased to 13.7%, well below the business plan key performance target. This was a reduction of 4.3% compared to 2008/09 which is a significant achievement and a welcome reduction in the recruitment workload.

It is also pertinent to note that the CIPD (Chartered Institute of Personnel and Development) Annual Recruitment and Retention Report 2009 reported 34% turnover within the hotel and catering sector and 17.8% in the construction industry which is more than double Tayside Contracts rates of 16.7% in catering, 15.6% in cleaning and 4.7% in construction.

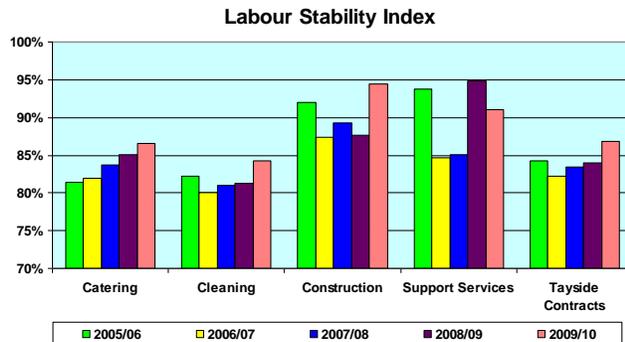
Labour stability (which is a measure of the proportion of employees who have remained in post throughout the year) within Tayside Contracts increased to 87% in 2009/10, continuing the trend of longer-serving employees being less likely to leave than those with shorter service. It is

encouraging that we can retain more experienced employees, which can help to enhance our service delivery capability and also ensures that we receive a return on our training and development investment.



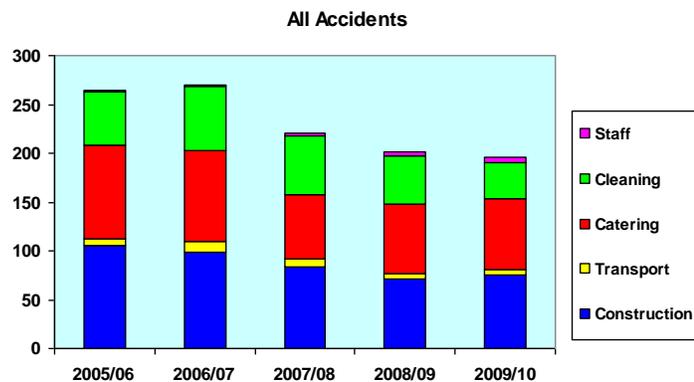
Employee turnover within the Catering Unit reduced from 17.5% in 2008/09 to 16.7%, while the Cleaning Unit also showed a reduction, from 22% to 15.6%. In support services turnover increased from 7.6% in 2008/09 to 9.2% in 2009/10 (albeit on a relatively small employee base). Employee turnover within the Construction Division reduced dramatically by 5.4% compared to the previous year to 4.7%. The overall employee turnover rate of 13.7% meant that Tayside Contracts recruited some 350 new staff over the course of the year, a reduction of more than 100 compared with the previous year.

The labour stability index showed an improvement for the organisation as a whole of 2.8% in 2009/10. This positive increase in stability was demonstrated within Construction, Catering and Cleaning. Within the support functions labour stability is down by 3.8%, albeit heavily influenced by staff retirements.

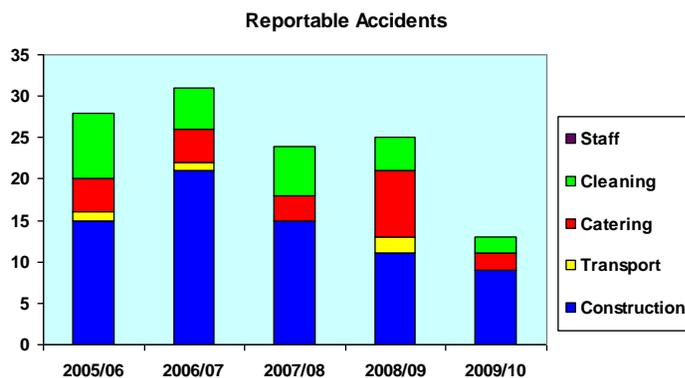


Health & Safety

Tayside Contracts continues to actively address its responsibilities as an employer to provide a healthy and safe environment for all employees. In addition, the organisation remains committed to the promotion of proactive health and safety management by creating a culture which secures involvement and participation of employees at all levels.



The trend of all accidents reported between 2005 and 2010, shows a continuation of the strong improvement seen in the previous 2 years. A total of 196 accidents were recorded during



2009/10 compared to 201 and 221 recorded in the preceding two years, and 270 accidents recorded in 2006/07. This improvement is particularly encouraging against the backdrop of a very busy year in all areas of the business, carried out in often poor weather conditions. Each accident reported was investigated to an appropriate level depending on its severity, and action taken to ensure the prevention of any further occurrences and to implement controls

to minimise future risks. In addition, analysis of the causes of accidents is carried out to identify trends and similarities.

2009/10 saw a significant and very welcome reduction in the number of accidents reportable to the Health and Safety Executive from 25 to 13. These are accidents which result in employees being absent from work for more than 3 consecutive days, but none are considered to be in the serious injury category.

Training & Development

Tayside Contracts is committed to training, developing and realising the potential of all staff and generating a culture within the organisation which actively encourages innovation. A significant proportion of staff training is delivered from in-house training resources in order to ensure that training is appropriately targeted to meet staff and business needs and is delivered in a cost-effective manner.

During 2009/10

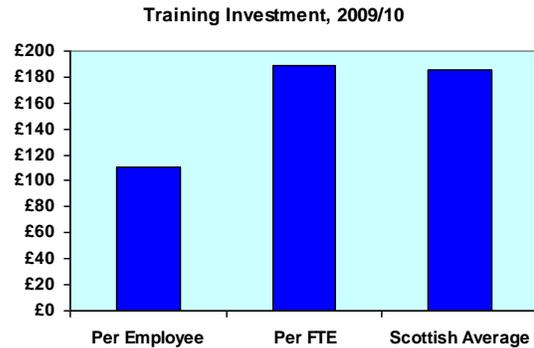
- 2759 employee training occasions took place
- 112 employees achieved food hygiene certification
- 145 employees achieved Construction Skills Certification Scheme registration
- 42 employees achieved/retained Traffic Management registration cards
- 128 employees achieved the Equipment Operators Plant Registration Scheme award
- 281 employees passed a Health & Safety test
- 158 employees attended corporate induction training
- £245k was invested in training
- £55k income was generated from provision of training to third parties
- 85% of the Training Plan was delivered

Tayside Contracts is an approved Training & Assessment Centre for:

- Scottish Qualifications Authority
- PAA/VQ-SET (formerly British Sign Graphics Association)
- Highways & Construction Training Association
- Royal Environmental Health Institute of Scotland

- Equipment Operators Registration Scheme
- Driver Continuing Professional Development
- Street Works Qualification Register
- Highway Electrical Academy

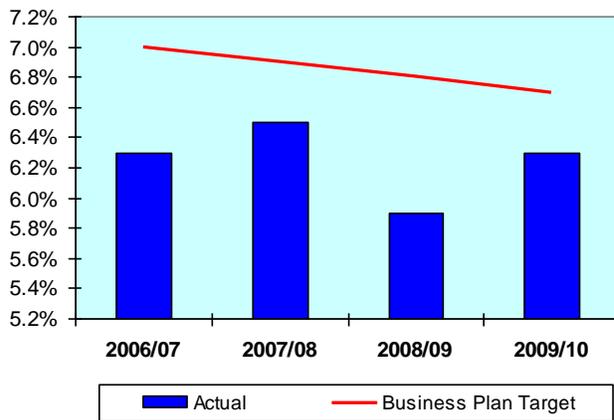
The amount invested in training during 2009/10 per employee would appear to be below the national average for local authorities. However, when measured on a basis of investment per full-time equivalent employee, Tayside Contracts investment is in line with the national average.



Sickness Absence Management

Tayside Contracts is committed to a policy of support for employees through periods of absence from work through illness and their subsequent return to work. A positive and active approach is also applied to the management of sickness absence to minimise any detrimental impact on employees and costs to the organisation and consequently to the local taxpayer.

To facilitate valid and effective benchmarking, Tayside Contracts applies the same basis for calculating sickness absence statistics as that employed by the 32 Scottish Councils. Comparative figures are provided over the last four years. Prior to 2006/07, the absence statistics were calculated on a different employee grouping basis.



In 2009/10, the level of sickness absence for the Chief Officer and Local Government Employees group increased to 6.3%, 0.4% up on the previous year. This compares with the national average of 5.5% (2008/09 data; 2009/10 not yet published). It is worth noting that Tayside Contracts figures include a significantly higher proportion of manual workers, traditionally a group with relatively higher levels of sickness absence. Comparison with the national average is therefore likely to be negatively impacted by the differences in

employee mix. The sickness absence rate of 6.3% recorded in 2009/10 is ahead of the business plan improvement target of 6.7%.

The costs associated with sickness absence can be categorised as direct costs (i.e. the total cost of occupational and statutory sick pay) and indirect costs (the costs invested in managing absences). Indirect costs include those which are tangible and readily measurable, such as occupational health referrals and administration as well as costs which are detrimental but not readily measurable, such as loss of productive time, management time, back-up staff and impact on staff morale. In 2009/10 the direct costs of sickness absence reduced by £106k to £813k, which is attributable to a reduction in days lost through sickness absence in construction and support functions, where employees are predominantly full time and on higher grades. The indirect costs amounted to £19k, the same as incurred in the previous year.

Health surveillance continues to be applied as a pro-active means of supporting employee health. The main areas of focus are HAVS testing, audiograms, vaccinations and other specific medicals (e.g. night working, quarry and traffic management employees).

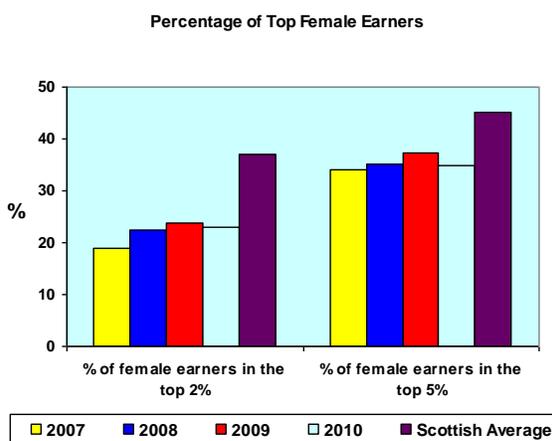
Equality and Diversity in Employment

Tayside Contracts is committed to fulfilling its statutory equality duties through the development and ongoing implementation of our Race, Disability and Gender Equality Schemes. Significant progress has been made in ensuring that Tayside Contracts employees reflect the demographic profile of Tayside and meets the diverse needs of the community we serve.

Statutory performance indicators are applied to measure the percentage of the highest paid 5% and 2% of earners among employees who are women.

Against the top 2% measure, the national average among Scottish councils reported for 2008/09 was 37.1% (2009/10 data not yet available). Tayside Contracts is somewhat lower than the national average at 23% in 2009/10, a small reduction from 24% in 2008/09.

Against the top 5% measure, the national average in 2008/09 was 45.2%. Tayside Contracts comes in closer to this measure at 35% in 2009/10, again showing a small decrease from 37% recorded in 2008/09.



Tayside Excellence Awards

In response to feedback received during the Employee Survey, where our employees expressed a strong desire for the introduction of some additional means of recognising and thanking the many employees who make an outstanding contribution in delivering our services, the Tayside Excellence Awards were introduced culminating in the first awards ceremony in May 2010. The standard of nominations for the various award categories was very high and gave the judging panel a difficult task in selecting the winners. The awards ceremony was attended by over 400 nominees, employees, sponsors and guests and was hosted by Sally Magnusson of BBC Scotland. It is intended to make this an annual event to recognise the efforts of the many employees who “go the extra mile” in the course of their working day. The 2010 Tayside Excellence Award winners were as follows:

- Outstanding Contribution to Health & Safety – Perth & Kinross Operational Squad
- Mechanic of the Year – Colin Mackenzie, Blairgowrie
- Outstanding Contribution to the Environment – Dave Mudie, Dundee
- Construction Excellence – Angus Surfacing Crew
- Building Cleaning Excellence (Primary) – Edzell Primary School Cleaning Team
- Building Cleaning Excellence (Secondary) – Grove Academy Cleaning Team
- Building Cleaning Excellence (Non-school) – Ardler Neighbourhood Centre Cleaning Team

- Building Cleaning Excellence, Most Improved Team or Individual – Maureen Thomson, St Clements Primary Dundee
- Catering Excellence, Primary Team of the Year – Craigowl Primary, Dundee
- Catering Excellence, Secondary Team of the Year – Pitlochry High School
- Favourite Dinner Lady/Gent (School Pupil Award) – Fiona Miller, Timmergreens Primary, Arbroath
- Outstanding Support to Employees, Business Units and Partners – Colin McDonald, Safety & Training Section, Dundee.
- Rising Star (Personal Improvement Award) – Alison Gallacher, Procurement Section
- Excellence in Customer Service – Carol Rodgers, Cleaning Unit, Dundee
- Best Service Team – Tay Cuisine Catering Unit

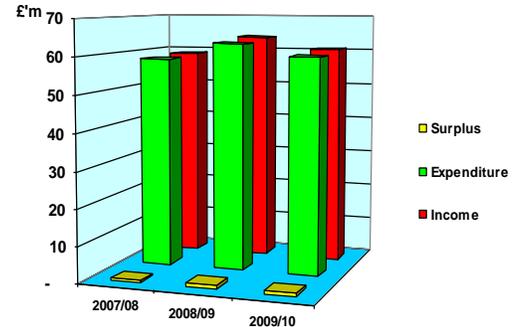
Financial Measures

Summary Financial Performance

Tayside Contracts overall financial performance in 2009/10 showed an operational surplus of £1.022m, of which £0.8m was returned to the constituent Councils and £0.222m retained in reserves. Income generated from Construction Division and Facilities Services Division activities showed a 5.1% reduction over the previous year to £60.7m.

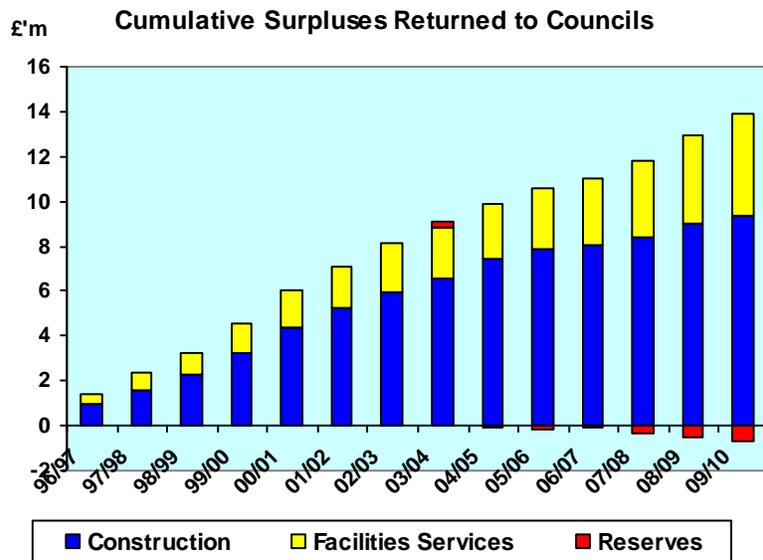
Consolidated Income and Expenditure

	2007/08	2008/09	2009/10
	£'m	£'m	£'m
Income	58.8	63.9	60.7
Expenditure	(58.0)	(62.8)	(59.7)
Operational Surplus	0.8	1.1	1.0
Transfer (to)/from Reserves	(0.3)	(0.1)	(0.2)
Returned to Constituent Councils	0.5	1.0	0.8



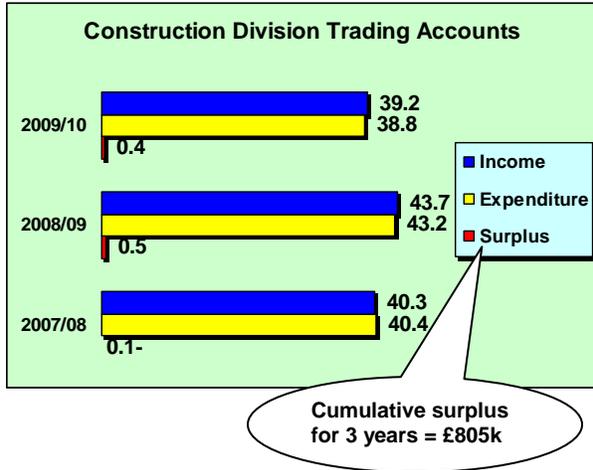
Surpluses Returned to Constituent Councils

In the 14 years since local government reorganisation in 1996, Tayside Contracts has returned a total of £13.24m to the constituent Councils, of which 67% has been generated from construction activities and 33% from facilities services. General reserves are used to meet any shortfall in surplus due to the Councils, and are built up from excess surpluses earned.



Statutory Trading Accounts

The Local Government in Scotland Act 2003 requires that trading accounts be maintained for significant trading operations, and these must achieve a financial break-even position over a rolling three year period. Tayside Contracts complies with this requirement through the inclusion in the Annual Report of trading accounts for the Construction Division and Facilities Services Division.

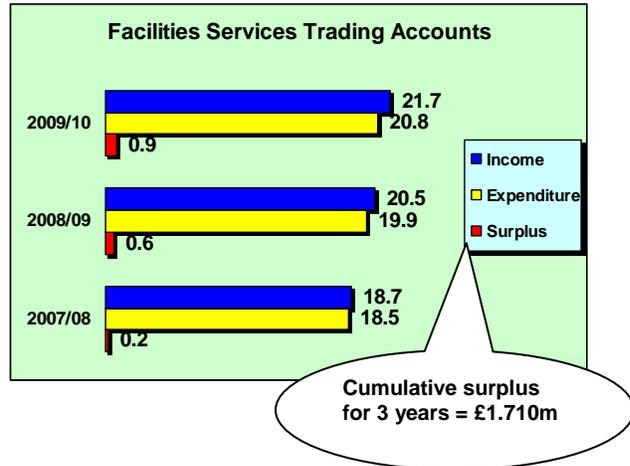


In 2009/10, the Construction Division trading account shows a surplus of £115k before applying notional pension costs as required by Financial Reporting Standard (FRS)17. Over the rolling three year period from 2007/08 a cumulative surplus of £484k has been achieved.

After adjusting for a notional FRS17 credit of £320k in 2009/10, a surplus of £435k results. The cumulative 3 year surplus after FRS 17 adjustments, against which the statutory break-even objective is measured, amounts to £805k thereby achieving the statutory requirement.

The Facilities Services Division, which comprises the Cleaning and Catering Units, reported a surplus of £604k in 2009/10 before applying FRS17 notional adjustments. Over the three years from 2007/08 a cumulative surplus of £1.419m has been achieved.

After adjusting for a notional FRS17 credit of £255k in 2009/10, the surplus is increased to £859k. The cumulative 3 year surplus after FRS 17 adjustments amounts to £1.710m thereby comfortably achieving the statutory requirement.



Procurement

Within Procurement in recent years there have been fundamental changes in the strategic approach to purchasing and also to the operational activities such as processing of tenders. With the publication in March 2006 of John McClelland's report and recommendations on his Review of Public Procurement in Scotland, Tayside Contracts has been heavily involved with the Tayside Procurement Consortium, the strategic procurement unit working as a shared service on behalf of the constituent Councils. A key conclusion of the McClelland report was to ensure the benefits of collaborative buying power which can be achieved through joint procurement were fully harnessed, and the resultant economies of scale and efficiency improvements delivered. Along with the Tayside Procurement Consortium we have fully embraced the McClelland ethos and have worked very closely with the constituent Councils to bring benefit to all procurement activity through collaboration and sharing of best practice. The Tayside Procurement Consortium has been fully engaged with Procurement Scotland and Scotland Excel, who are respectively the national and local government centres of expertise. Tayside Contracts have taken the lead on commodities such as groceries and provisions, frozen food, milk, personal protective equipment (PPE) and catering equipment on behalf of the Tayside Procurement Consortium.

Benefits are already being realised from these contracts, and savings of some £70k are being achieved on the groceries and provisions, frozen food and PPE contracts within Tayside Contracts. In addition to these hard cash savings, there are also considerable benefits from being able to order directly from contracts set up by the centres of excellence.

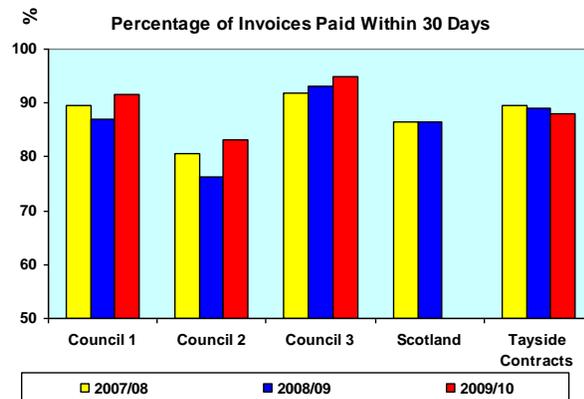
Tayside Contracts also continues to benefit from applying aspects of e-procurement, including the use of embedded purchasing cards and the development of dedicated on-line ordering with certain suppliers. This has enabled both strong control over purchasing and also the opportunity to reduce stock-holding through just-in-time purchasing. The introduction of purchasing cards has also provided a more efficient supplier payment process to the extent that we now process some 20,000 fewer supplier invoices per annum. This process will be extended further over the next year.

The efforts of Tayside Contracts procurement team and their input to the Tayside Procurement Consortium (TPC) have been recognised at both Scottish and UK national levels through nominations for, and receipt of awards. TPC were highly commended for the John F McClelland Collaborative Procurement Award (Scotland) in 2009, and were winners of the Government Opportunities Collaborative Procurement Initiative of the Year Award (UK) in June 2010.

Invoices Paid Within 30 Days

One of the Statutory Performance Indicators which local authorities are required to report relates to the payment of invoices to suppliers within 30 days.

Tayside Contracts performance over the last five years has generally been better than the national average. The payment performance in 2008/09 was 89.0%, above the Scottish average of 86.4%. In 2009/10 there has been a slight drop to 88.1%, with no Scottish average available at the time of writing.



Service Measures

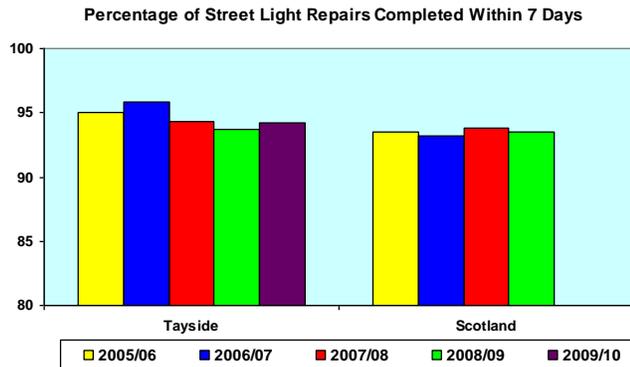
Almost all of the service-related statutory performance indicators reported to Audit Scotland relate to Council services which are not relevant to Tayside Contracts. A range of performance measures are used within Tayside Contracts for operational management purposes. Further performance indicators are being developed to measure achievements against Business Plan targets and objectives, and these will be included in future performance reports when they are considered to provide sufficiently robust and meaningful performance information.

Construction Operations

Street Lighting

One of the major activities within the Construction Division is the maintenance of street lighting in each of the constituent Council areas. A statutory performance indicator relating to the percentage of street light repairs completed within 7 days is reported by each of the Councils.

The performance within each constituent Council, and therefore of Tayside Contracts street lighting operations, continues to be of a high level and remains generally better than the average for Scottish Councils. A performance rating of 94.2% was recorded in 2009/10. The national average is not available for 2009/10, but was 93.5% in 2008/09. The 2009/10 performance shows a small improvement from 93.7% in the previous year. With increasing pressure on budgets generally, and more specifically with the higher cost of electricity directly impacting on street lighting budgets, employee levels in the street lighting partnership have reduced year on year. While this has the desired outcome of maintaining tight control over costs, it does have an impact on unplanned reactive repairs in particular, and the improved performance is all the more noteworthy in these circumstances. The benefits of partnership working with Dundee City and Perth & Kinross Councils have been clearly demonstrated in terms of the efficiency and effectiveness of service delivery, and also the unit cost of providing the service. Separate partnering arrangements with Angus Council are now also in place with the aim of further securing these benefits.

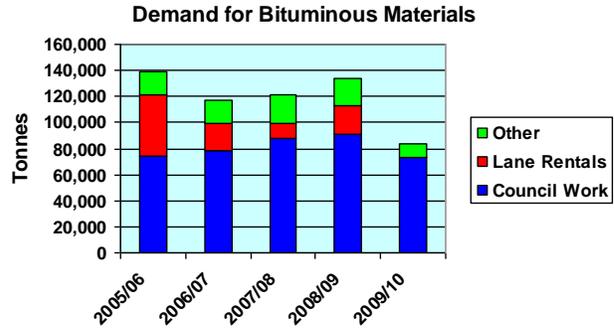


The performance of the Street Lighting partnership has been recognised by APSE for its approach to service delivery, being a finalist in the “Most Improved Street Lighting” category.

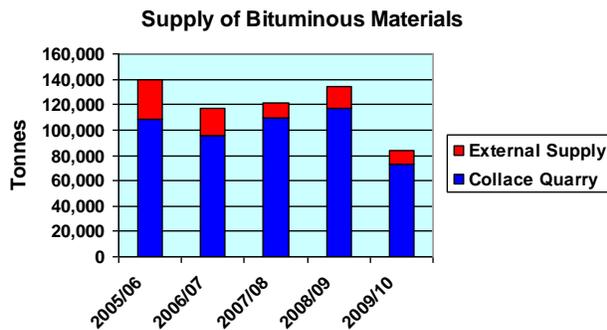
Surfacing Activity

Tayside Contracts is involved in providing a range of roads maintenance services to the constituent Councils which are the subject of statutory performance indicators. However, because these services are not exclusively provided by Tayside Contracts they cannot be reported as measures of Tayside Contracts performance.

Demand for bituminous materials may be taken as an indication of road surfacing activity, demonstrating that the level of activity during 2009/10 was significantly lower (-38%) than in 2008/09, and also much lower (-30%) than the average over the past 5 years. Work for the constituent Councils was down by 20% on the previous year; there was no lane rental work during the year and work carried out for other Councils and third parties was nearly 50% down on previous years, reflecting the economic downturn and its impact on housing developments, supply of materials and work won as sub-contractor on large scale Council capital projects. We will continue to seek profitable external work where available, but will equally continue to focus on management of costs and efficiency of our operations to mitigate the downturn in available work.



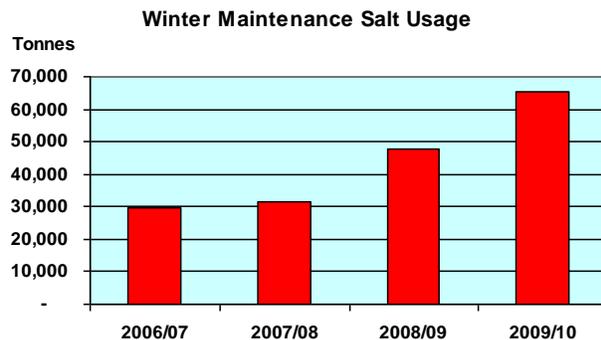
On average, some 119,000 tonnes of bituminous materials per annum has been used over the last five years, comprising 101,000 tonnes supplied from Collace Quarry and 18,000 tonnes from external quarries. In 2009/10, the volume sourced externally was well below average at 10,500, meaning that the proportion of in-house supply from Collace



was significantly higher than in previous years, reflecting the increased focus on optimising use of our assets and minimising external expenditure where possible.

Winter Maintenance Activity

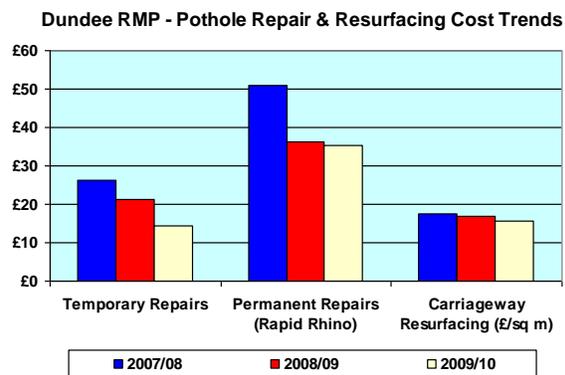
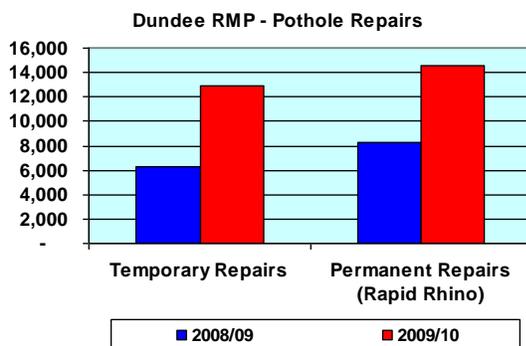
A key feature of Tayside Contracts activity on behalf of the constituent Councils is the provision of a winter maintenance service, involving road and footpath gritting and snow clearing. The workforce in the Construction Division is largely determined by the manning required to provide the level of winter maintenance service specified by the Councils. The level of activity and to some extent the profitability of Tayside Contracts is dependent on the severity of winter conditions. An indicative measure of winter conditions and of the level of winter maintenance activity may be taken from the amount of salt used in gritting. As may be seen from the chart showing winter maintenance salt usage over the last four years, there was a significant increase in 2009/10 due to winter conditions being the worst in terms of both sustained low temperatures and snowfall in decades. Salt usage increased from around 30,000 tonnes in each of the previous two years to almost 48,000 tonnes in 2008/09, and then increased massively to 65,000 tonnes in 2009/10. Salt stocks were under severe pressure as the Government sought to allocate supplies to areas in most need. By



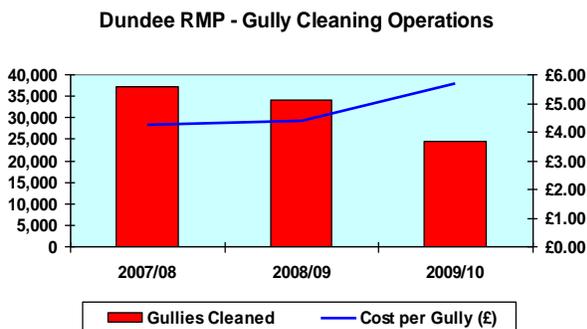
judicious planning and allocation of salt within Tayside, no shortages were incurred and a full service was provided throughout the season. The increased activity is also reflected in the number of hours worked on winter maintenance, which showed an increase of more than 25% to some 72,000 hours compared to the previous year which was itself, at 57,000 hours, more than 50% up from 37,000 hours worked in 2007/08.

Dundee Roads Maintenance Partnership

2009/10 saw the further development of the Roads Maintenance Partnership between Dundee City Council and Tayside Contracts. The benefits of closer working relationships and removal of duplication has enabled a much more efficient and effective delivery of roads maintenance services and the partnership has been extended to 2012. The priority areas for 2009/10, as well as ensuring effective integration of the service, focussed on improvements in relation to gully cleaning, pothole repairs, grit bins and development of the asset management system. Being year 2 of the formal partnership, data has been collected against a range of performance indicators enabling comparison of 2009/10 performance to be made against 2008/09. Where comparative data exists, the performance of the partnership has generally demonstrated a strong and improved performance. For example, the volume of pothole repairs increased dramatically during 2009/10, largely as a consequence of the severe winter, and the cost of



pothole repairs continued to reduce while at the same time completing 90% of repairs within target timescales. A more efficient system regarding collection and distribution of grit bins has been introduced, and work is ongoing to optimise gully cleaning operations. However, during 2009/10 the number of gullies cleaned dropped from around 35,000 in previous years to 25,000, partly due to winter conditions and also due to retirement of experienced personnel and reduction in hours worked to comply with our maximum of 48-hour working week target. However, a number of inefficiencies in

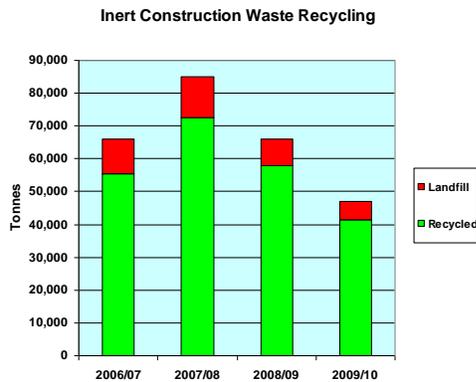


operations have been identified and will be targeted for improvement in 2010/11 in order to bring the unit cost down.

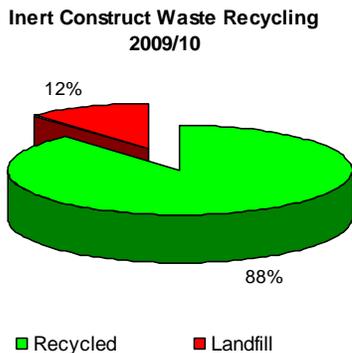
The success of the Dundee partnership has led to discussions with Perth & Kinross Council with a view to establishing collaborative working arrangements, and partnering remains the preferred solution to achieving more efficient working with the constituent Councils.

Recycling

Recycling is now routinely a core consideration in Construction activities, for both environmental and economic reasons. Significant amounts of material are generated from road planings and other civil engineering works, and with the increasing cost and tax burdens of disposal to landfill, together with taxes on quarrying new stone and the high cost of bitumen, it is both financially and environmentally advantageous to seek means of recycling these materials. Tayside Contracts operates a number of recycling centres across Tayside to separate out the reusable materials (primarily top soil, stone aggregates and asphalt planings) and to sell or use those materials where optimum value can be derived.



During 2009/10, some 48,000 tonnes of such material was generated from Construction activities, of which 88% or 42,000 tonnes was recycled and the balance of 12% sent to landfill. The total amount of material processed is lower than in 2008/09 (66,000 tonnes), but the proportion sent to landfill has been maintained at the 12% level achieved last year following improvements from 16% landfill in 2006/07.



The substantial majority of the landfill material was directed to Pairnie quarry, which is an exempt site that is being landfilled for environmental reasons and therefore does not incur landfill tax. A total of 455 tonnes was subject to landfill tax at the lower rate for inert material.

In addition to these materials, in excess of 8,000 tonnes of gully waste was collected. This material is processed through the reed bed systems at Forfar and Loanleven, enabling the liquid content of 60% to be cleaned and recycled. The objective for the remaining 40% solids is to meet the required European standards to allow recycling as green compost, and following extensive testing the bulk of this material is now considered suitable for composting. This has been followed by full scale trials at Riverside, Dundee to demonstrate that the gully solids along with road sweepings produced by the Councils can be mixed with green waste to produce horticultural composts. This has the potential to remove more than 11,000 tonnes from waste streams in Dundee and Angus, and while Perth & Kinross currently have separate disposal arrangements there is potential to extend this arrangement in future years.

Asphalt planings continue to be recycled and used in the production of bituminous materials at Collace Quarry. The hot mix recycling process has now been established for over 5 years, and includes 10% recycled asphalt in the coating process. The benefits which have accrued from an investment of £110k, amount to more than £350k and reflect a reduction of some 600 tonnes in bitumen required. This in turn equates to a saving of more than 650,000 litres of crude oil and a consequent environmental benefit of a carbon reduction of 160 tonnes.

A new development which commenced during 2009, involving use of the ash generated from the Baldovie incinerator as a replacement for limestone dust and quarry fines as a filler material

in the asphalt production process, has now progressed to the stage of being used on projects which require dense macadams. In addition to the environmental advantages of this initiative, there are clear economic benefits for the Council and Tayside Contracts, the former saving landfill costs and taxes and the latter saving on the purchase of limestone dust. A further potential benefit is the use of quarry fines, which have a high and valuable mineral content and of which an excess is now produced due to its replacement by Baldovie ash, as an additive to composts and soils as a soil improver. Initial tests give some confidence in this potential use and benefit.

Business Improvement Initiatives

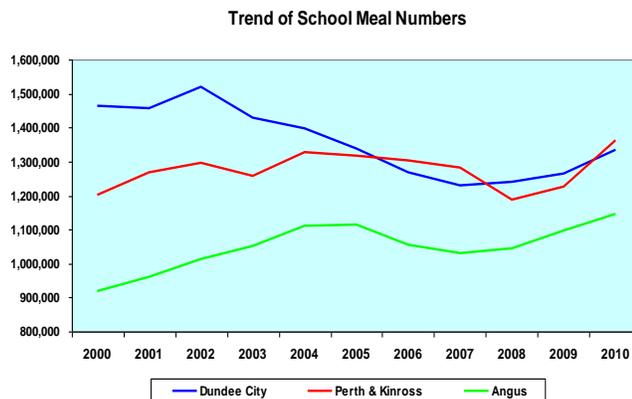
Following the success of the Knowledge Transfer Partnership (KTP) through which the Tayset® cold mix recycling was developed in conjunction with Dundee University, a second KTP has been established with a focus on business improvement initially within the Construction Division. The project enables access to world-leading authorities on “lean techniques”, and is the first time these techniques have been applied to roads maintenance activities, having originally been developed in the Japanese motor industry and evolved into other business spheres including building projects. The programme is ambitious, and aims to deliver improvements in efficiency and profitability, asset utilisation, quality and service delivery, client satisfaction and a cultural change in our employees’ approach to work. The programme commenced in February 2009 and, while it is a two-and-a-half year project designed to deliver sustainable long term improvements, some results have begun to filter through in 2009/10.

Catering

Catering operations are predominantly focussed on the provision of school meals to the three Councils and the welfare meals service in Dundee. A small amount of welfare meals are provided from school kitchens in Perth & Kinross and Angus, and a function catering service is also provided. A catering service is now also provided to Tayside Police in Dundee and Perth. Some statistics are provided relating to trends in the number of school and welfare meals provided.

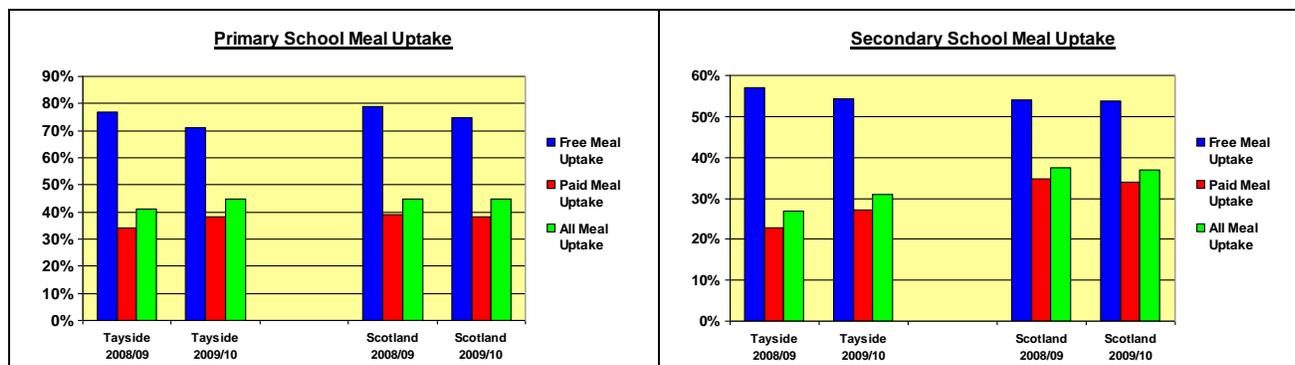
School Meals

After a period of sustained growth in school meal numbers, these levelled off in 2004/05 and began to fall in the next two years as the combined impact of a declining school population and an initially negative response from pupils to the implementation of the healthy eating agenda were seen. However, the healthy eating agenda is a long term commitment and a holistic approach is being followed involving close working with the constituent Councils to achieve a sustained improvement. The decline has now bottomed-out, and the initial recovery in school meal uptake seen in 2008 has continued through 2009/10 to the extent that both Angus and Perth & Kinross areas are now achieving their highest levels over the past ten years. It is also encouraging to note that more school children are eating healthier meals, a successful trend which we are committed to improving further.



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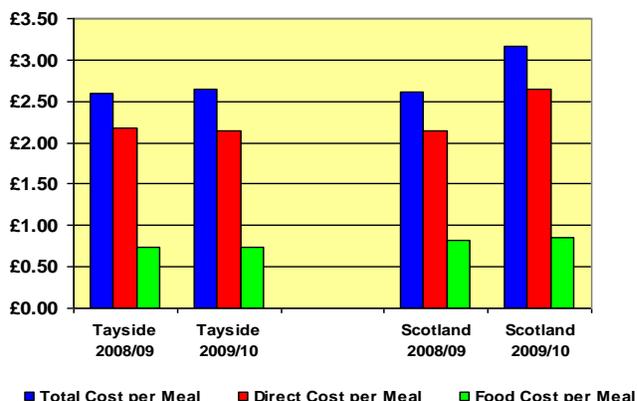
The proportion of pupils taking school meals has also increased in 2009/10 in both the primary and secondary sectors. Primary meal uptake increased in 2009/10 from 41.1% the previous year to 44.8% in line with the national average of 44.7%. Meal uptake in secondary schools also improved considerably in 2009/10, from 26.9% in 2008/09 to 30.9%, although this remains well below the national average of 36.9%. These figures are very encouraging, and given that free meal uptake fell in the year this increase in paid meal uptake was some 4% in primaries and 5% in the secondary sector.



The cost of providing school meals showed a small increase in 2009/10 largely as a consequence of incremental progression by catering employees following Single Status

implementation in 2008. Food price inflation also impacted the cost of meals, but this was largely negated by improved contract prices achieved through collaborative procurement.

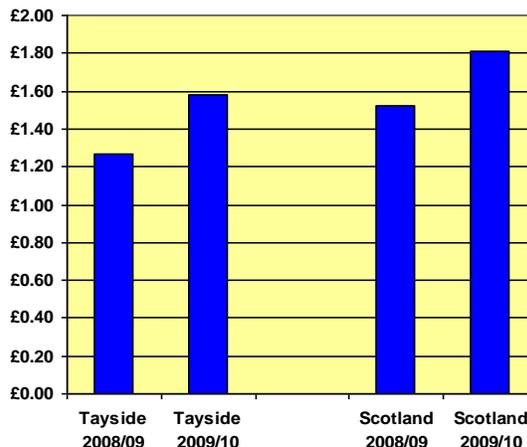
School Meal Costs



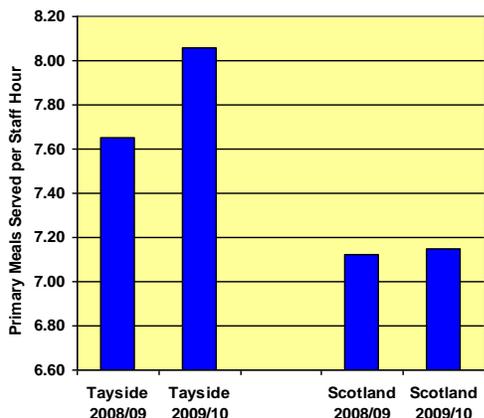
However the cost of meals provided by Tayside Contracts remains very competitive compared to the average costs for Scotland. In 2009/10, the cost of a school meal provided by Tayside Contracts was £2.65 (£2.59 in 2008/09) compared to the Scottish average cost of £3.17 (£2.62 in 2008/09). The food element of the total cost was £0.74 in both 2008/09 and 2009/10, compared to an average food cost in Scotland during 2009/10 of £0.85, up from £0.82 in

2008/09. The Scottish comparison is relevant as all Scottish Councils are governed by the same regulations and standards regarding the nutritional content of meals. Tayside Contracts meets all national standards, and can therefore demonstrate provision of a high quality school meals service at a cost well below the national average. As a consequence, the cost to the Councils in terms of subsidy per meal (being the difference between cost and prices charged) is well below the national average at £1.58 compared to £1.81. Note that these figures include the cost of providing free meals.

School Meal Subsidy Costs



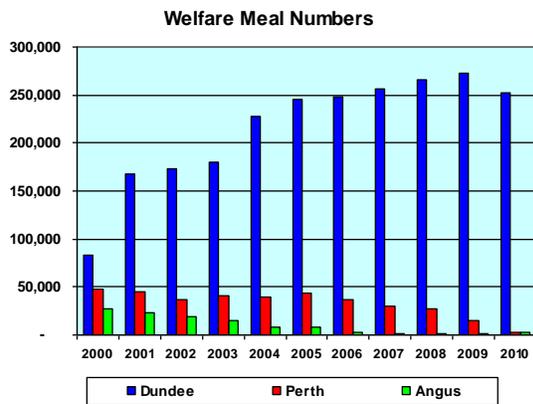
School Meal Service - Staff Productivity



The cost performance is further evidenced by benchmarking staff productivity, which is measured by APSE as number of meals served per labour hour worked. Tayside Contracts productivity has improved in 2009/10 from an already strong position compared to the national average. The average number of meals (primary schools) per staff hour in Tayside is 8.06 against an average of 7.15 for Scotland.

Welfare Meals

The sustained upward growth trend in Welfare meal numbers in Dundee (where meals have

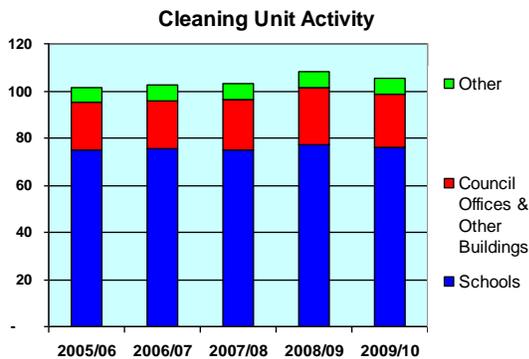


been provided from the Tay Cuisine cook-chill facility since 2003) that had been in evidence until 2008/09 saw a decline for the first time in over 10 years from 273,000 meals in 2008/09 to 253,000 in 2009/10. Much of this reduction was seen in luncheon clubs in reaction to price increases. A relatively small number of meals had previously been provided in Perth and Kinross, but this provision has now ceased following the introduction of a frozen meals service. A very small number of welfare meals are provided by Tayside Contracts in Angus.

Cleaning

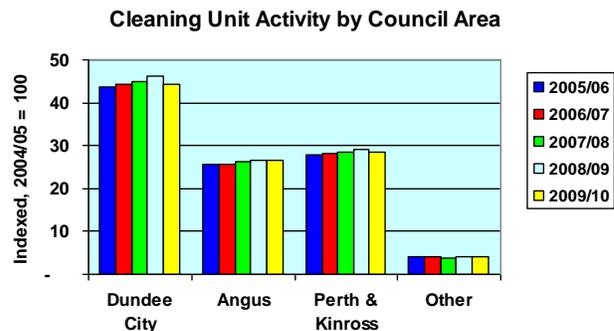
Activity

There are no statutory performance indicators which relate to cleaning activities. However, information is provided on the activity of the Cleaning Unit in 2009/10 compared with previous years along with benchmark comparisons extracted from APSE performance network data.

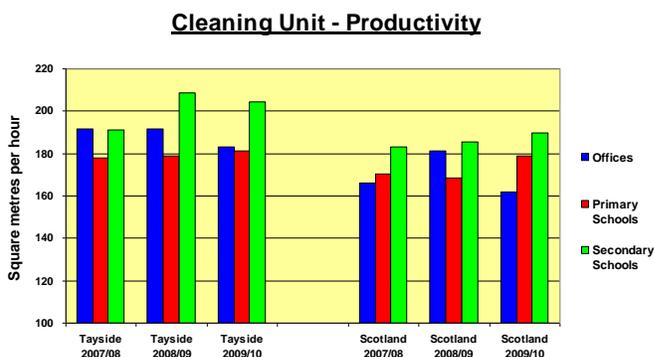


The major element of the Cleaning Unit's activity is the schools' cleaning service, which accounts for around 72% of the work carried out. Of the remaining work, 22% relates to cleaning of Council offices and other public buildings, while the remaining 6% relates to the cleaning service provided to Tayside Fire & Rescue and the communal area service to housing tenants. Activity has remained fairly consistent and predictable over the period, with a small peak in 2008/09 associated with the introduction of the new PPP schools in Dundee and Angus.

When viewed by Council area, it can be seen that some small growth over the last five years has been achieved in each Council area. The relatively stable nature of cleaning work enables the Cleaning Unit to benefit from a greater degree of certainty than either the Catering Unit or Construction Division. This stability has in turn enabled ongoing investment in equipment and employees to deliver a quality service and continuous improvement in productivity to the mutual benefit of Tayside Contracts and the constituent Councils.



Productivity and Cost Effectiveness



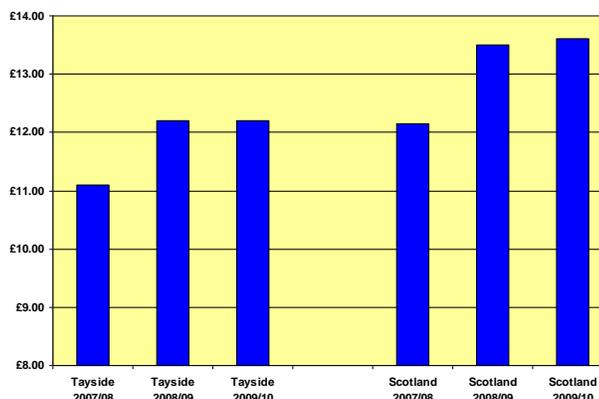
Benchmarking of a range of performance indicators is now being carried out against other Councils across Scotland and the UK through the APSE performance network. Data collected for 2007/08 to 2009/10 shows a very creditable performance with regard to the levels of productivity achieved by Tayside Contracts Cleaning Unit. Taking square metres cleaned per hour as the measure of productivity, in each category of Offices, Primary Schools and Secondary Schools, Tayside Contracts productivity is significantly higher than the recorded averages for Scotland. Following an encouraging improvement in productivity evidenced in 2008/09 in both primary and secondary schools, a further improvement was achieved in the

Secondary Schools, Tayside Contracts productivity is significantly higher than the recorded averages for Scotland. Following an encouraging improvement in productivity evidenced in 2008/09 in both primary and secondary schools, a further improvement was achieved in the

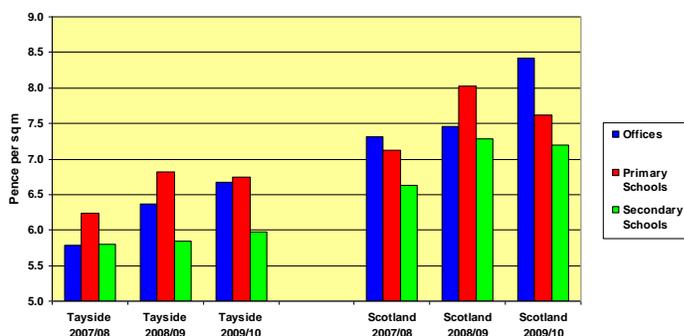
primary sector in 2009/10, although secondary cleaning productivity dropped back slightly (but remains ahead of 2007/08 levels).

While productivity is very important in delivering best value to our customers, it is also important that the service is provided at a competitive cost. Benchmarking comparisons against other Scottish would indicate that the cleaning service provided by Tayside Contracts is extremely competitive and cost-effective. In 2008/09, the cost per square metre cleaned by Tayside Contracts was £12.20 and has remained at that level in 2009/10. In comparison, the average cost across Scottish Councils was £13.50 in 2008/09 and increased to £13.60 in 2009/10.

Cleaning Unit - Cost per Sq m



Cleaning Unit - Cost Efficiency (pence per sq m)

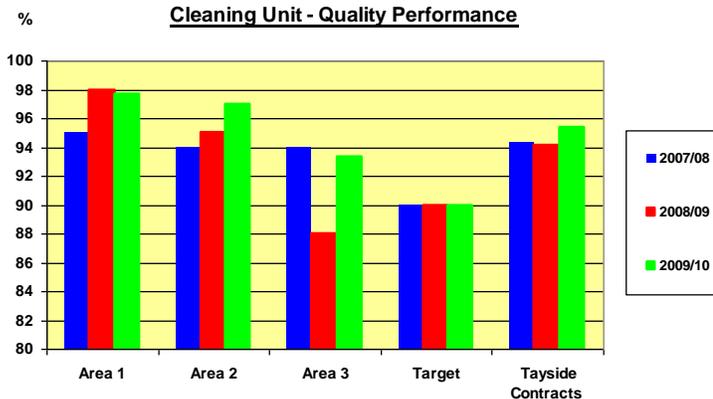


When taken together, the productivity levels and costs can provide a measure of cost efficiency, which is a good indicator of best value. Dividing cost per square metre by square metres cleaned per hour gives a cost efficiency measure stated in pence per hour. Again, for each cleaning category Tayside Contracts performance against the national average in 2009/10 continues the positive performance of previous years, and demonstrates a cost-efficiency well ahead of the Scottish average.

Quality

Along with productivity and cost measures, the quality of the cleaning service provided to our customers is critical to the ongoing success of the Cleaning Unit. A system of inspections and audits has been developed in conjunction with the Councils, and this is supplemented by self-audits. A computerised quality monitoring system has been implemented across the three Council areas, making it easier to analyse and summarise information from tens of thousands of checks carried out during inspections.

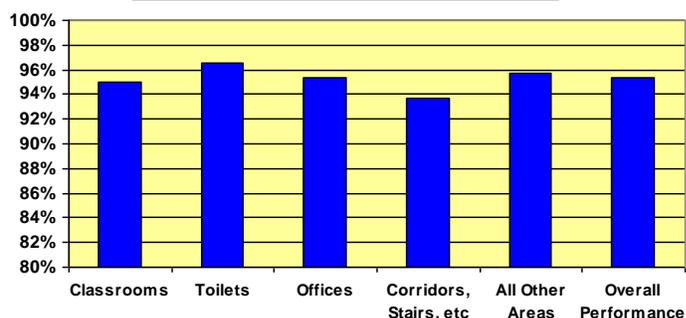
Cleaning Unit - Quality Performance



During 2009/10, a total of 289,000 quality checks were carried out. A target quality performance of 90% was set at the start of the year, and this has been exceeded with an overall quality performance of 95.4% achieved, an improvement on the performance of 94% recorded in 2008/09.

While a strong improvement was seen in two of the Council areas, a small decline was recorded in the third, although this remains the best-performing area. Analyses of cleaning failures are carried out and appropriate corrective actions put in place to ensure the required standards are consistently met.

Cleaning Quality Performance 2009/10

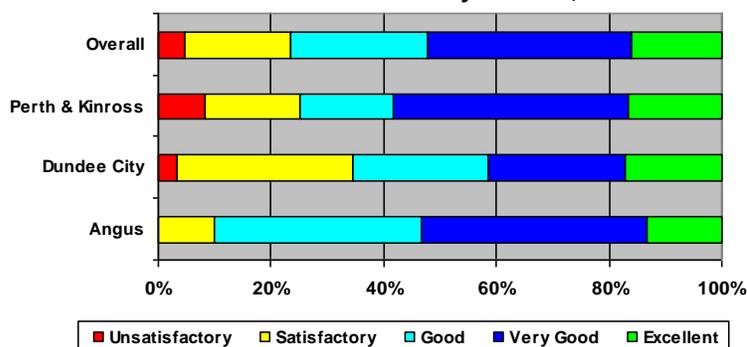


Customer Satisfaction

While quality monitoring provides an objective and fact-based measure of quality, it is also important to be aware of customers' perception of the service provided, including customers' satisfaction with service quality and our response to complaints raised. A help desk was introduced to capture complaints and other customer comments so that these may be tracked and appropriate responses and corrective action taken in a timely manner.

Customer surveys carried out show a positive perception of the quality of the service provided, with 77% of respondents rating the service as good, very good or excellent compared to 64% in 2008/09. When "satisfactory" responses are included, the satisfaction rating goes up to 95%, which gives reassurance that customer satisfaction is in line with the objective quality measure of 95%.

Customer Satisfaction Survey Results, 2009



It was hoped that use of the help desk facility would allow us to monitor complaints and responses in a proactive manner, but use of the facility has been relatively low. During 2009/10, a total of 56 complaints were logged on the help desk, along with 19 requests for information or additional work and good number of compliments. To put the number of complaints logged into context, Tayside Contracts cleans around 450 establishments more than 200 times each year – a total of some 100,000 building cleans per annum. The 56 complaints logged equates to less than 0.1% of annual building cleans, or alternatively a success rate of 99.9%. Nevertheless, we are acutely aware of the importance of improving customer perception of the services provided and will strive to improve wherever possible.