

Tayside 
contracts

***ANNUAL
PERFORMANCE
REPORT
2010/11***



INVESTOR IN PEOPLE

Contents

	Page
Introduction	1
Managing Director's Overview	2
Employee Statistics and Measures	5 - 11
Employee Numbers	5
Employee Retention	6
Health & Safety	7
Training & Development	7
Sickness Absence Management	9
Equality & Diversity in Employment	9
Tayside Excellence Awards	10
Employee Satisfaction	11
Financial Measures	12 - 14
Summary Financial Performance	12
Surpluses Returned to Constituent Councils	12
Trading Accounts	12
Procurement	13
Invoice Payment Performance	14
Service Measures	15 - 25
Construction Operations	
Street Lighting	15
Surfacing Activity	15
Winter Maintenance Activity	16
Dundee Roads Maintenance Partnership	17
Recycling	18
Business Improvement	19
Catering Operations	
School Meal Trends and Performance Measures	20
Welfare Meal Trends and Statistics	22
Cleaning Operations	
Activity	23
Productivity, Cost and Efficiency	23
Quality	24

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 widely regarded as an excellent example of local authorities working together to the benefit of the public, and is increasingly 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 around 2,300 people in 2,850 posts, has an annual turnover of £66 million, and since 1996 has returned £14.4 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 bi-annually to the Joint Committee. Many of those measures are included in this report. As we are now through the final year of the 2006 to 2011 business plan, a new business plan for the period 2011 to 2014 has been developed and approved. The new business plan is heavily influenced by current economic conditions and budgetary constraints, its key theme being “*transformation – delivering more for less*”. This key theme reflects the need to adapt the organisation and the way in which it delivers services to ensure that the maximum delivery of these services is achieved within available budgets. Tayside Contracts seeks to be the preferred business model for providing high quality, cost effective shared public services.

Tayside Contracts annual report for 2010/11 provides some comment on progress and achievements against the key business plan objectives, and the Business Plan progress report provides more detailed comment on performance against targets for 2010/11. 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.

It is also vitally important that our employees work in an environment which promotes a commitment to their health, welfare and development. During 2010/11, 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 absence rates improved by 0.5% in 2010/11 to 5.8%, continuing to be below Business Plan targets. Despite the reduction in absence levels, the direct costs of sickness absence increased by £3k in the year as a result of a number of long term absences amongst relatively senior employees.

The financial performance in 2010/11 was strong, with the surplus of £1.343m being well in excess of the amount targeted for distribution to the constituent Councils. This has enabled £1.2m (£700k more than target) to be returned to the Councils and a further increase of £143k 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 £5.285m over the relevant three year period 2008/9 to 2010/11 and the Facilities Services Division a surplus of £6.267m. When notional accounting adjustments associated with accounting for future pension costs are eliminated, the underlying performance of the two divisions over the three year period shows a surplus of £459k in the Construction Division and £1.996m in the Facilities Services Division.

Within the Facilities Services Division, workload in the Cleaning Unit increased slightly with the transfer of further office cleaning in Angus partly offset by the loss of PPP school cleaning in Perth and 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. School meal numbers in the past year have built upon the growth achieved in 2009/10 with an increase of 5.4% to more than 4 million meals, thus sustaining the recovery following an initial adverse impact of the healthy eating programmes, and significantly 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 severest winter conditions experienced for a number of decades) 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 and the introduction of a street lighting partnership with Angus Council.

Winter conditions were amongst the worst in over 30 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 promotion of 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 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 2011

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.

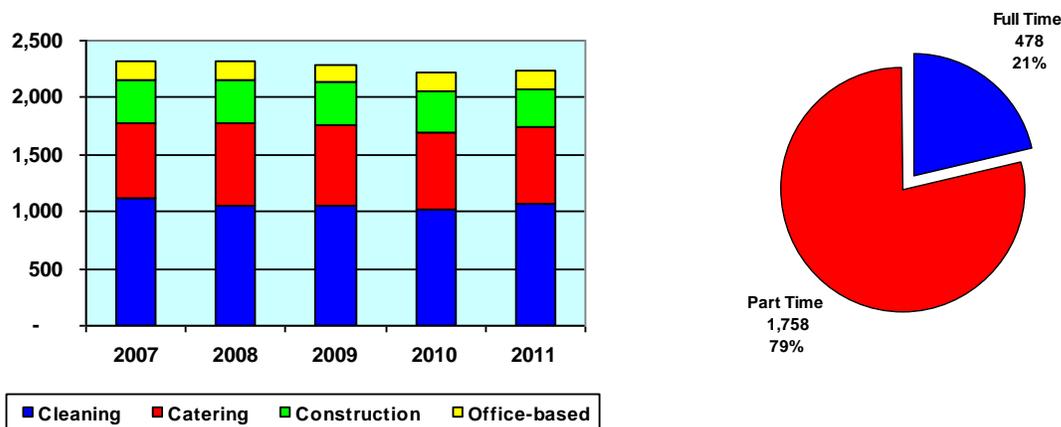
We are committed to developing a competence-based culture where all employees have access to training and development opportunities which will allow them to carry out their work safely and to the required standard, whilst also identifying potential for the future.

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 2010/11 are provided in the following section and in general provide positive feedback on our efforts through the year.

Employee Numbers

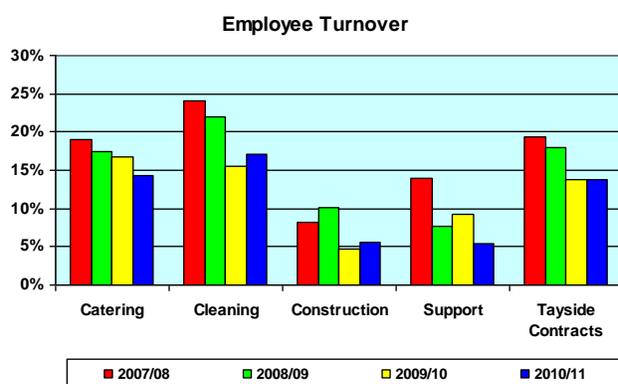
Tayside Contracts has an establishment of some 2,850 jobs and over the past five years has provided employment to on average 2,275 people, a number of whom have more than one job. Employee numbers have gradually reduced over the past five years through more efficient and productive ways of working, from 2,400 in 2005 to 2,236 in 2011. The contribution of this level of employment to the local economy can be measured from a total employee cost in excess of £30m. The nature of the work in the Cleaning and Catering Units dictates that 79% of Tayside Contracts employees are part-time, with full-time equivalent staff numbers of 1420.



Employee Retention

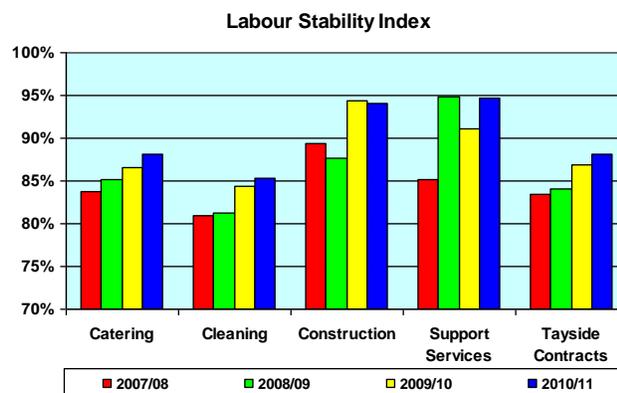
Fundamental to Tayside Contracts success is the need to recruit and retain the number and quality of employees required to achieve our business objectives. In 2010/11 the organisational turnover rate increased marginally to 13.8%, well below the business plan key performance target of 18%. This was an increase of 0.1% compared to 2009/10, following a significant reduction of 4.3% from 2008/09. This sustained level of employee turnover maintains a welcome reduction in the recruitment workload and associated costs. Recruitment advertising costs reduced from £35k in 2009/10 to £4k in 2010/11 as Tayside Contracts website became the principal medium for advertising vacancies and processing applications.

Labour stability (which is a measure of the proportion of employees who have remained in post throughout the year) within Tayside Contracts increased to 88.1% in 2010/11 (86.8% 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 ensure that we receive a return on our training and development investment. Labour stability has undoubtedly been influenced by the economic downturn, and may well be further influenced in coming years by removal of the default retirement age.



Employee turnover within the Catering Unit reduced from 16.7% in 2009/10 to 14.3%, while the Cleaning Unit showed an increase from 15.6% to 17.1% following a sharp reduction in the previous year. In support services, turnover reduced from 9.2% in 2009/10 to 5.4% in 2010/11 (albeit on a relatively small employee base). Employee turnover within the Construction Division increased to 5.6% compared to the 4.7% in previous year. The overall employee turnover rate of 13.7% meant that Tayside Contracts recruited some 300 new employees over the course of the year.

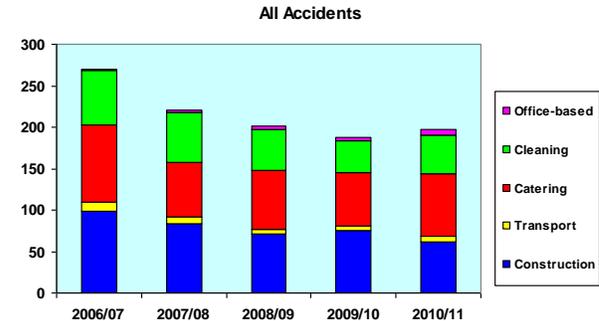
The labour stability index showed an improvement for the organisation as a whole of 1.3% in 2010/11. This positive increase in stability was demonstrated within Catering, Cleaning and the support functions. Within Construction labour stability is marginally down by 0.4%, albeit from a high baseline of over 94%.



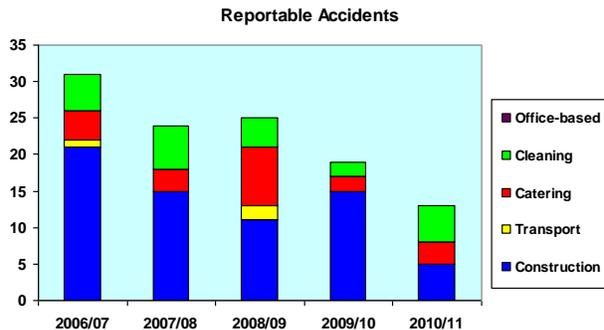
Health & Safety

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 2006 and 2011, shows a small increase following the strong improvement seen in the previous 3 years. A total of 197 accidents were recorded during 2010/11 compared to 188 recorded in the preceding year, and 270 accidents recorded in 2006/07. The 2010/11 position is nevertheless encouraging against the backdrop of a very busy year in all areas of the business, carried out in often extremely 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.



2010/11 saw a further significant and very welcome reduction in the number of accidents reportable to the Health and Safety Executive from 19 to 13, with

accidents in the Construction Division showing a particularly impressive reduction from 15 to 5. 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, being predominantly due to slips, trips and falls. An information campaign is being progressed for all employees to address the risks associated with these types of accident, in particular in the extreme weather conditions experienced over the last two years.

Training & Development

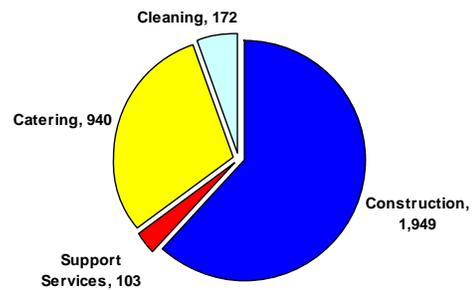
Tayside Contracts is committed to training, developing and realising the potential of all staff and generating a culture within the organisation which actively encourages innovation. A significant proportion of staff training is delivered from in-house training resources in order to ensure that training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

During 2010/11

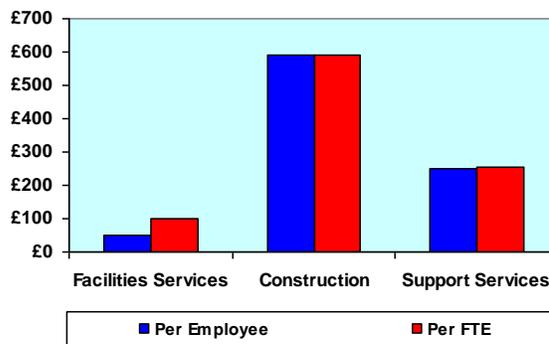
- 3,164 employee training occasions took place
- 156 employees achieved food hygiene certification

- 35 employees achieved Construction Skills Certification Scheme registration
- 25 employees achieved Temporary Traffic Management certification
- 87 employees achieved the Equipment Operators Plant Registration Scheme award
- 447 employees attended Drivers CPC training
- 124 employees passed Health & Safety assessments
- 288 employees attended corporate induction training

Employee Training Occasions, 2010/11



Training Investment, 2010/11



- £355k was invested in employee development and training
- £34k income was generated from provision of training to third parties
- target to deliver 80% of the Training Plan was achieved

A proportionately higher spend per employee is evident for construction employees than for those in cleaning and catering roles. This is consistent with the respective business sectors, and reflects the growing requirement in construction for workers to display tangible evidence of competence and qualifications, while the vast majority of training activity for cleaning and catering front line employees is carried out on the job, to which no costs are attributed.

Tayside Contracts is an approved Training & Assessment Centre for:

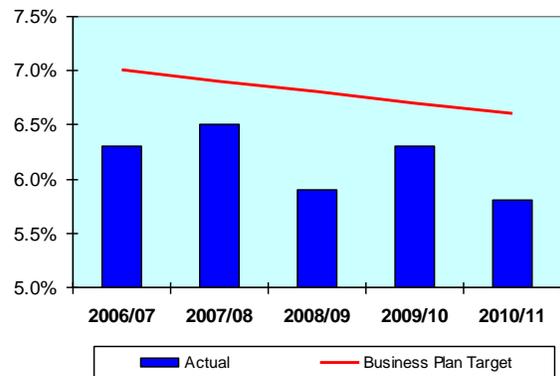
- Scottish Qualifications Authority
- PAA/VQ-SET (formerly British Sign Graphics Association)
- Highways & Construction Training Association
- Royal Environmental Health Institute of Scotland
- Equipment Operators Registration Scheme
- Driver Continuing Professional Development
- Street Works Qualification Register
- Highway Electrical Academy

This demonstrates Tayside Contracts commitment to developing a more highly skilled and flexible workforce by retaining approved training centre status through the most appropriate awarding bodies, and to increase the number of qualified and competent employees in national vocational and other related qualifications through approved training schemes.

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. Performance targets are set for all managers and feature in all service improvement plans.

In 2010/11, the level of sickness absence for the Chief Officer and Local Government Employees group improved from 6.3% in the previous year to 5.8%. 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. Frontline employees recorded an improved sickness absence level of 5.9% in 2010/11 (2009/10 was 6.6%), while the absence rate for office-based employees increased by 1.0% in the year to 4.5%, reflecting long term absences for a small number of senior employees. The sickness absence rate of 5.8% recorded in 2010/11 is ahead of the business plan improvement target of 6.6%.



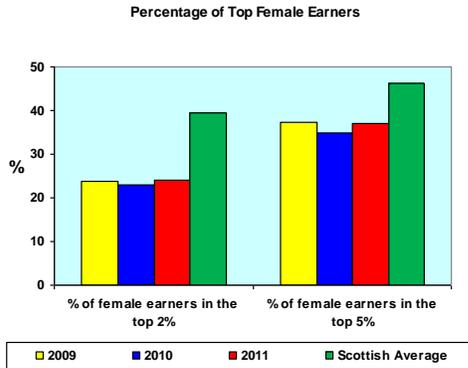
The costs associated with sickness absence can be categorised as direct costs (i.e. the total cost of occupational and statutory sick pay) and indirect costs (the costs invested in managing absences). Indirect costs include those which are tangible and readily measurable, such as occupational health 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 2010/11 the direct costs of sickness absence increased marginally by £3k to £816k, the cost increase being entirely attributable to an increase in long term absence for a small number of relatively higher-graded office-based employees. Indirect costs incurred during the year amounted to £18k, the same as the previous year.

Health surveillance continues to be applied as a pro-active means of supporting employee health at a relatively low cost. The main areas of focus are HAVS testing, audiograms, vaccinations and other specific medicals (e.g. night working, quarry and traffic management employees), and an additional 12 employee appointments were carried out in 2010/11.

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 2010/11 was 39.5%. Tayside Contracts is somewhat lower than the national average at 24% in 2010/11, a small increase from 23% reported in 2009/10.

Against the top 5% measure, the national average in 2010/11 was 46.3%. Tayside Contracts comes in closer to this measure at 37% in 2010/11, again showing a small increase from 35% recorded in 2009/10.

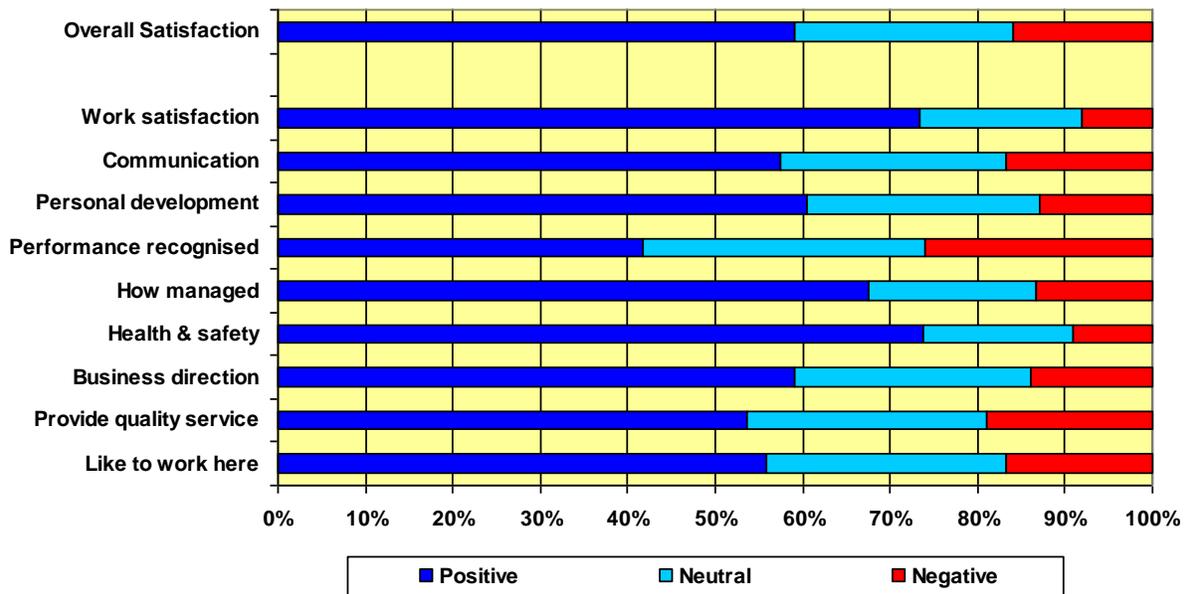
Tayside Excellence Awards

In response to feedback received during the 2008 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 overwhelming success of the inaugural event made it an easy decision 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 2011 Tayside Excellence Award winners were as follows:

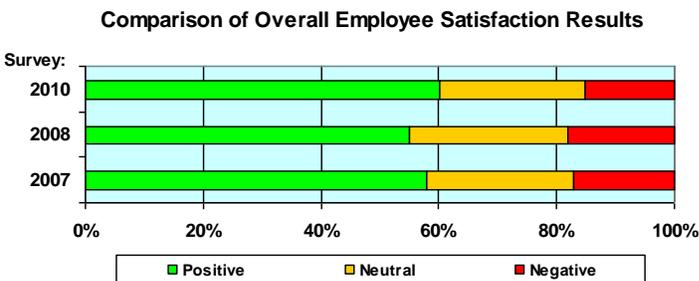
Construction Division	
Construction Excellence Award	❖ Trunk Roads Winter Maintenance Team, Perth & Kinross
Bright Spark Award	❖ Street Lighting Tracking Squad, Perth & Kinross
Excellence in Health & Safety and Environmental Awareness	❖ Bruce Mackenzie and Team, Angus
Mechanic of the Year	❖ Calum Mitchell, Perth & Kinross
Catering Unit	
Primary Team of the Year	❖ Blackford Primary School Kitchen Team, Perth & Kinross
Secondary Team of the Year	❖ Strathearn Community Campus Kitchen Team, Perth & Kinross
Favourite Dinner Lady / Gent	❖ Lesley Dalson, Northmuir Primary School, Angus
Cleaning Unit	
Primary Team of the Year	❖ Lochside Primary School Team, Angus
Secondary Team of the Year	❖ Blairgowrie High School Team, Perth & Kinross
Non-School	❖ Angus House Cleaning Team, Angus
Support Services	
Outstanding Support to Employees, Business Units and Partners	❖ Leanne Reilly, Personnel Manager
Open to All Awards	
Excellence in Customer Service	❖ Eileen Stewart, Tay Cuisine, Dundee
Rising Star Award for Outstanding Contribution	❖ Jamie Clark, Workshop Supervisor, Perth & Kinross
Best Service Team	❖ Roads Maintenance Management Team, Dundee

Employee Satisfaction

The third Tayside Contracts employee survey was carried out in late 2010, following on from those conducted in 2007 and 2008. The employee survey is part of an ongoing improvement process, recognising the importance of engaging with all of our employees and affording everyone the opportunity to make a contribution towards shaping the culture of the organisation. In total 885 responses were returned from a wide cross-section of the organisation. The results of the 2010 survey were encouragingly positive, with an overall satisfaction rating of 59% recorded, and 16% in the negative band. Most strikingly, a rating of 71% was returned in the work satisfaction category. The results against each category are shown in the chart below.



Following on from the 2008 survey, action plans were developed to address the areas where the most significant concerns had been highlighted.



The success of this approach is evident in the improvement from 2008, where the overall satisfaction rating was 55%. More importantly, those areas targeted for improvement have all achieved the desired outcome. A similar approach will be adopted to address general and specific concerns raised in the 2010 survey to ensure that progress

is being made and appropriate steps taken towards achieving a successful future.

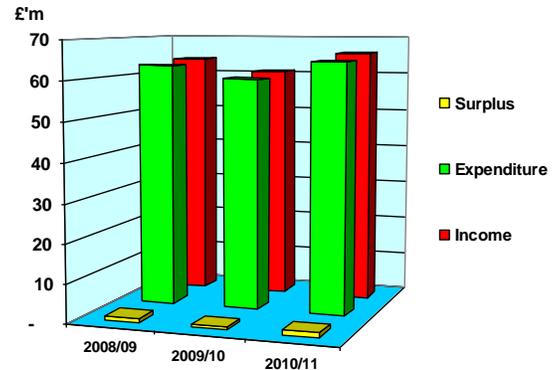
Financial Measures

Summary Financial Performance

Tayside Contracts overall financial performance in 2010/11 showed an operational surplus of £1.343m, of which £1.2m was returned to the constituent Councils and £0.143m retained in reserves. Income generated from Construction Division and Facilities Services Division activities showed an 8.7% increase over the previous year to £65.9m.

Consolidated Income and Expenditure

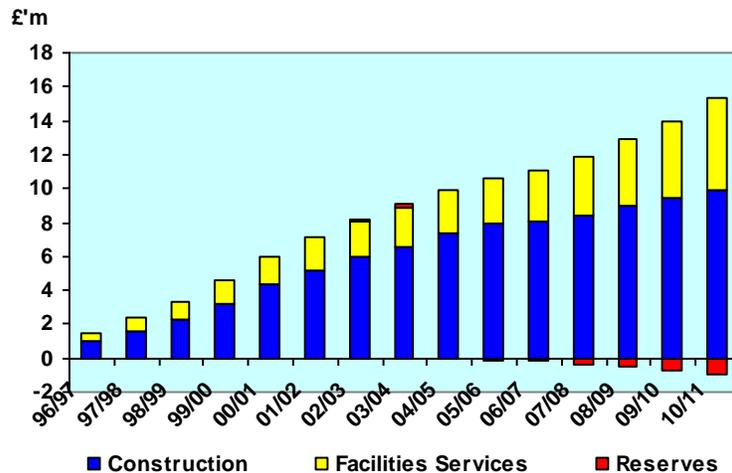
	2008/09	2009/10	2010/11
	£'m	£'m	£'m
Income	63.9	60.7	65.9
Expenditure	(62.8)	(59.7)	(64.5)
Operational Surplus	1.1	1.0	1.4
Transfer (to)/from Reserves	(0.1)	(0.2)	(0.2)
Returned to Constituent Councils	1.0	0.8	1.2



Surpluses Returned to Constituent Councils

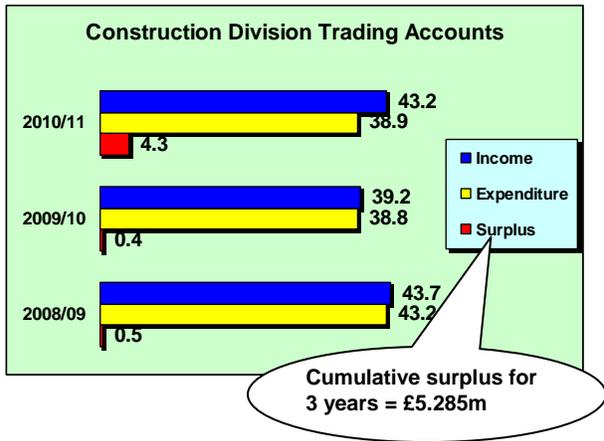
In the 15 years since local government reorganisation in 1996, Tayside Contracts has returned a total of £14.4m to the constituent Councils, of which 65% has been generated from construction activities and 35% from facilities services. General reserves are used to meet any shortfall in surplus due to the Councils, and are built up from excess surpluses earned.

Cumulative Surpluses Returned to Councils



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.

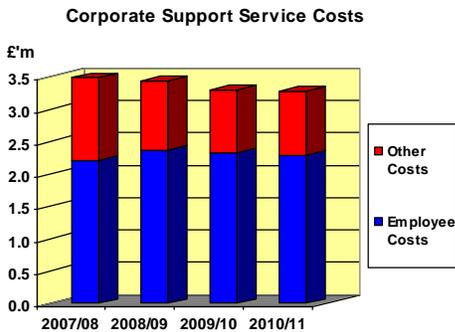
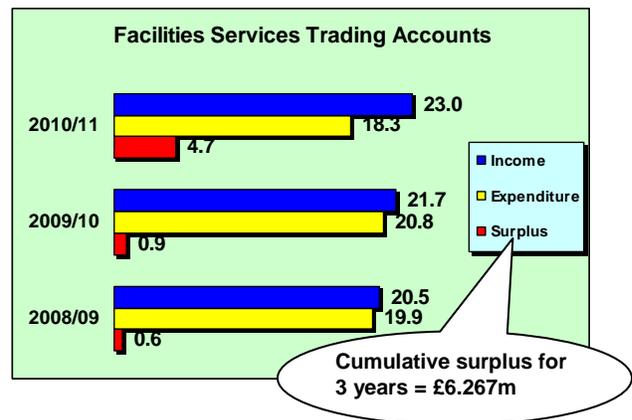


In 2010/11, the Construction Division trading account shows a surplus of £25k before applying notional pension costs as required by International Accounting Standard (IAS) 19. Over the rolling three year period from 2008/09 a cumulative surplus of £459k has been achieved.

After adjusting for a notional IAS19 credit of £4.311m in 2009/10, a surplus of £4.336m results. The cumulative 3 year surplus after IAS 19 adjustments, against which the statutory break-even objective is measured, amounts to £5.285m thereby comfortably achieving the statutory requirement.

The Facilities Services Division, which comprises the Cleaning and Catering Units, reported a surplus of £890k in 2010/11 before applying IAS19 notional adjustments. Over the three years from 2008/09 a cumulative surplus of £1.996m has been achieved.

After adjusting for a notional IAS19 credit of £3.866m in 2010/11, the surplus is increased to £4.756m. The cumulative 3 year surplus after IAS 19 adjustments amounts to £6.267m thereby comfortably achieving the statutory requirement.



In addition to the operational units making their target returns, savings have also been achieved by corporate and support functions. Costs have reduced in each of the last three years through more efficient use of staff and restructuring, and also strong control over all categories of expenditure despite wage and other inflation.

Procurement

Within procurement in recent years there have been fundamental changes in the strategic approach to the sourcing and purchasing of commodities and services, including operational activities such as processing of tenders. Following 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 has 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 being realised from these contracts, and Tayside Contracts is achieving annual savings in excess of £100k on the groceries and provisions, frozen food, PPE, plant and cleaning materials contracts. In addition to these hard cash savings, there are also considerable efficiency and compliance benefits from being able to order directly from contracts set up by the centres of excellence.

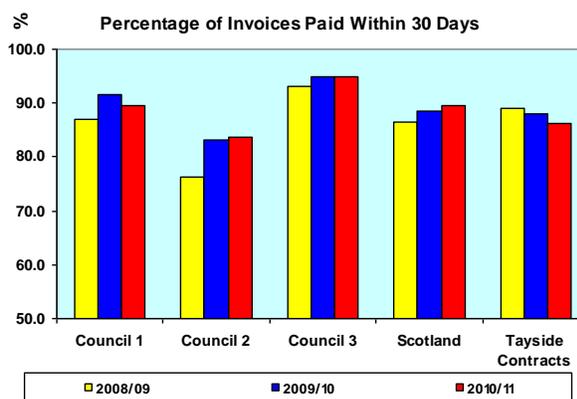
Tayside Contracts also continues to benefit from applying aspects of e-procurement, including the use of embedded purchasing cards and the development of dedicated on-line ordering with certain suppliers. This has enabled strong control over purchasing and also the opportunity to reduce stock-holding. 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 successful development of both Tayside Contracts procurement approach and also that of the Tayside Procurement Consortium (TPC) were recognised at the annual Government Opportunities (GO) awards, with the TPC winning the UK award for Collaborative Procurement Initiative of the Year.

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 during 2008/09 and 2009/10 was better than or in line with the Scottish average. In 2010/11 Tayside Contracts performance dropped to 86.3%, falling slightly below the average of the constituent Councils. The Scottish average for 2010/11 was 89.5%, continuing the improvement achieved over recent years.



Service Measures

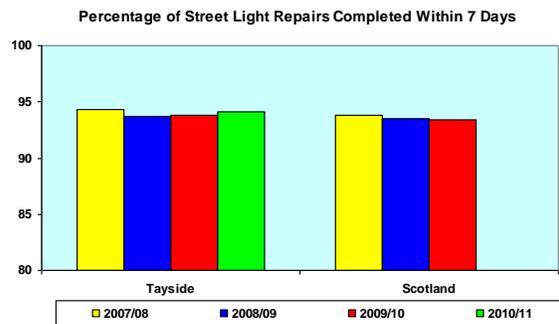
Almost all of the service-related statutory performance indicators reported to Audit Scotland relate to Council services and are not relevant to Tayside Contracts. However, a range of performance measures are used within Tayside Contracts for operational management purposes. Further performance indicators are used to measure achievements against Business Plan targets and objectives, and these are monitored and reported in the six-monthly Business Plan review reports provided to the Joint Committee.

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. An overall performance rating of 94.1% was recorded in 2010/11. The national average is not yet available for 2010/11, but was 93.4% in 2009/10. The 2010/11 performance shows a small improvement from 93.8% in the previous



year, which was achieved despite being unable to carry out street lighting repairs during the severe winter conditions. 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 and 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 enhancing these benefits.

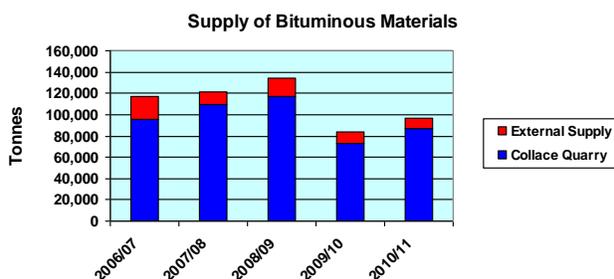
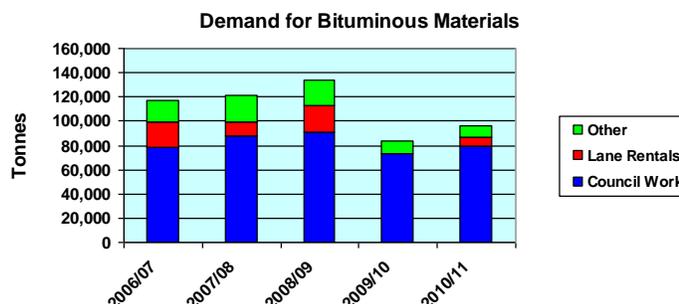
The performance of the Street Lighting partnership has been recognised by APSE for its approach to service delivery, being a finalist in the “Most Improved Street Lighting” category.

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.

Road maintenance activity during 2010/11 was heavily influenced by the severity of winter conditions during both 2009/10 and 2010/11. Substantial time, resource and cost were taken up

by direct winter maintenance activities in both years and winter also left its mark on the condition of the region's roads, with significant deterioration in road surface condition and widespread potholes. A substantial part of the surfacing work carried out was therefore designed to repair all critical potholes and as many others as possible. More surface dressing work was also undertaken as a means of providing a "quick fix" to repairing carriageway surfaces. Demand for bituminous materials may be taken as an indication of road surfacing activity, demonstrating that the level of activity during 2010/11 was significantly higher than in 2009/10, although lower than the average over the past 5 years due to the nature of the work carried out in 2010/11. Work for the constituent Councils was similar to the previous year; there was one lane rental contract completed during the year, but work carried out for other Councils and third parties was well down on previous years, reflecting the economic downturn and its impact on housing developments and other construction 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.

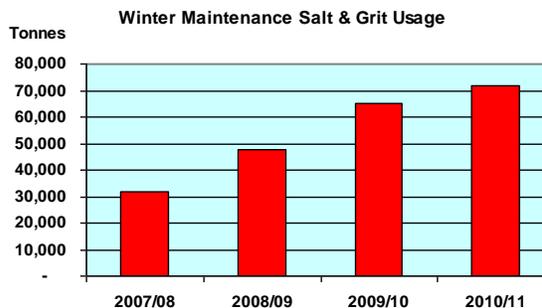


On average, some 110,000 tonnes of bituminous materials per annum has been used over the last five years, comprising 96,000 tonnes supplied from Collace Quarry and 14,000 tonnes from external quarries. In 2010/11, the volume sourced externally was well below average at 9,000 tonnes, meaning that the proportion of in-house supply from Collace was 87% of total material supplied - higher than in previous

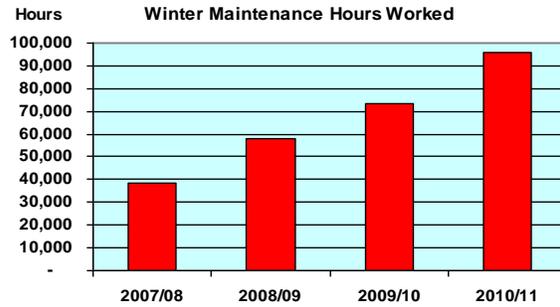
years, reflecting the increased focus on optimising use of our assets and minimising external expenditure where possible.

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 number of employees 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 further significant increase in 2010/11 due to winter conditions being the worst in terms of both sustained low temperatures and snowfall in decades. Salt usage has increased over the past

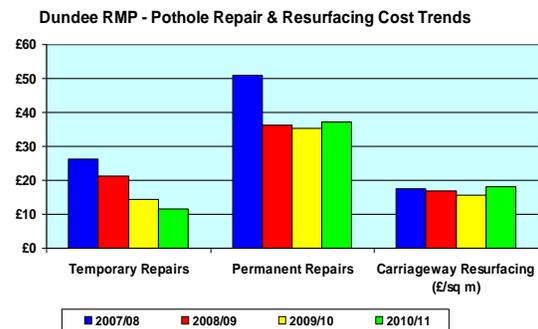
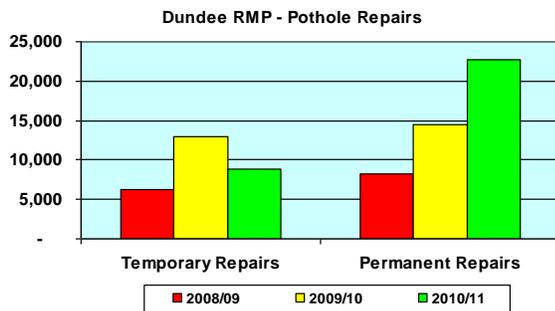


four years from what had been an average level of around 30,000 tonnes to almost 48,000 tonnes in 2008/09 and then increasing massively to 65,000 tonnes in 2009/10. The usage of salt and grit (the latter being used to supplement and protect scarce salt resources) in 2010/11 was an unprecedented 72,000 tonnes, at a cost of some £3m. 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 experienced and a full service was provided throughout the season. The increased activity is perhaps even more dramatically reflected in the number of hours worked by Tayside Contracts employees on winter maintenance, which has increased from an average position of 37,000 hours in 2007/08 to 57,000 in 2008/09, with a further significant jump to what was considered a very high level of 72,000 hours in 2009/10. The hours worked over the winter of 2010/11 amounted to 95,000 hours, 2.5 times the average winter level of 2007. Even this level of resource needed to be supplemented by support with constituent Council employees to clear areas not normally classified as priority, but became so due to the sustained severity of conditions. A significant number of sub-contractors were also engaged to assist in clearing and disposing of compacted snow and ice.



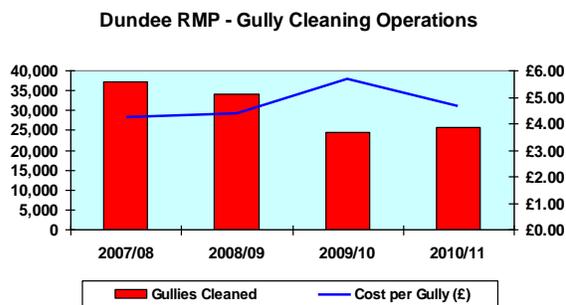
Dundee Roads Maintenance Partnership

2010/11 saw further progress through the Roads Maintenance Partnership between Dundee City Council and Tayside Contracts. The benefits of closer working relationships and removal of duplication of scarce resources, such as supervision, have enabled a much more efficient and effective delivery of roads maintenance services and the partnership has been extended to 2012. The priority areas for 2010/11, as well as further developing the effective integration of



the service, focussed on improvements in relation to gully cleaning, pothole repairs and development of the asset management system. Being the third year of the formal partnership, data has been collected against a range of performance indicators enabling comparison of 2010/11 performance to be made against a baseline of 2007/08 and the past two years. Where comparative data exists, the performance of the partnership has generally demonstrated a strong and improved performance. For example, the volume of pothole repairs which had increased during 2009/10 saw a further dramatic increase in 2010/11 as a consequence of the severe winter, and the cost of pothole repairs continued to reduce (when adjusted for the impact of inflation on bitumen), while at the same time completing 90% of repairs within target timescales.

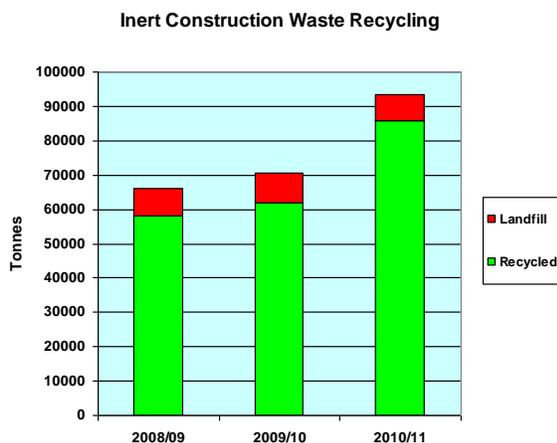
Work is ongoing to optimise gully cleaning operations. During 2010/11 the number of gullies cleaned showed a small increase from around 25,000 in 2009/10 to 26,000, the increase being restricted during winter. A number of inefficiencies in operations which were identified and targeted for improvement in 2010/11 were successfully implemented, bringing the unit cost per gully cleaned down by £1.01 from £5.67 in 2009/10 to £4.66 in 2010/11.



The success of the Dundee partnership has led to discussions with Perth and 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 maintenance 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.

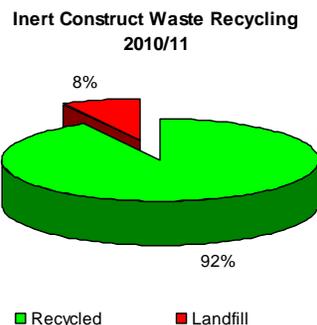


Tayside Contracts operates a number of recycling centres across Tayside to separate out the reusable materials (primarily top soil, stone aggregates and asphalt planings) and to sell or use those materials where optimum value can be derived.

During 2010/11, some 93,000 tonnes of such material was generated from Construction activities, of which 92% or 86,000 tonnes was recycled and the balance of 8% sent to landfill.

The total amount of material processed is higher than in previous and the proportion sent to landfill has been reduced to 8% compared to the 12% level achieved last year, itself a continuation of the improvement from 16% of waste material sent to 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 can now be used for composting.

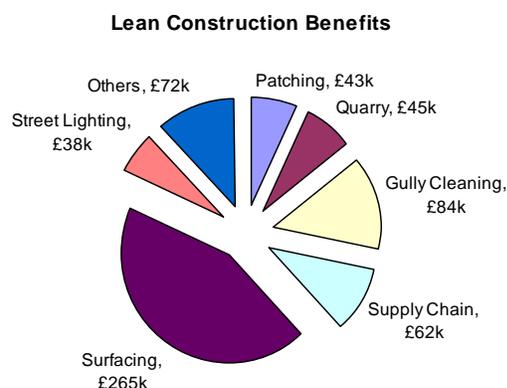
Asphalt plantings continue to be recycled and used in the production of bituminous materials at Collace Quarry. The hot mix recycling process has been established for a number of years, and includes 10% recycled asphalt in the coating process with consequent savings in the use of bitumen and significant carbon reduction. The cold mix (Tayset®) recycling process provides similar benefits, along with further financial and carbon savings through reduced energy usage.

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 Dundee City 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.

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 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 tangible benefits have been achieved in 2010/11.

Across the range of initiatives implemented, it is estimated that savings in the order of £600k have been achieved from 2009, with the potential to achieve savings of more than £1m with full implementation. The largest saving has been achieved on surfacing operations, with substantial benefits also realised through improved planning of quarrying and supply chain activities and more efficient operations associated with gully cleaning, footpath slurry sealing and street light tracking work. Overall the improvements have provided savings of some 6% of the costs of the activities targeted.



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 and Kinross and Angus, and a function catering service is also provided. Some statistics are provided relating to trends in the number of school and welfare meals provided, and benchmarking data for the APSE performance network is also provided on key measures relating to school meal uptake, meal costs and staff productivity.

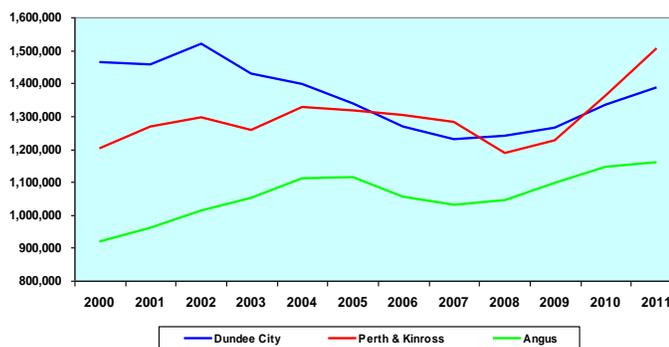
School Meals

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

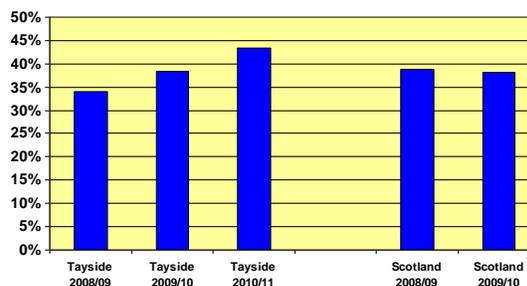
Councils to achieve a sustained improvement. The decline largely bottomed-out in 2009, and the recovery and growth in school meal uptake has continued through 2010/11. School meals served increased from 3.843m in 2009/10 to 4.051m in 2010/11, an increase of 5.4%. It is hugely encouraging to report that significantly larger numbers of school children are eating healthier meals, a successful trend which we are committed to improving further.

The proportion of pupils taking school meals has also increased in 2010/11 in both the primary and secondary sectors. Primary paid meal uptake has increased from 34.0% in 2008/09 to 38.4% last year and further to 43.4% in 2010/11. This equates very favourable with the national average of 38.2% for 2009/10 (2010/11 data not yet available).

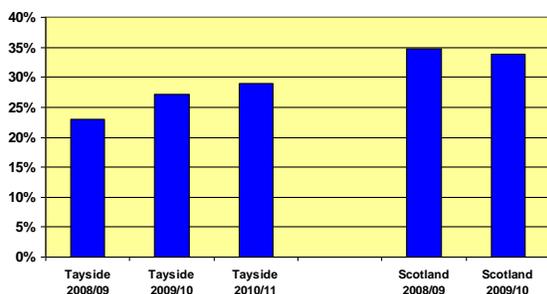
Trend of School Meal Numbers



Primary School Meal Uptake



Secondary School Meal Uptake

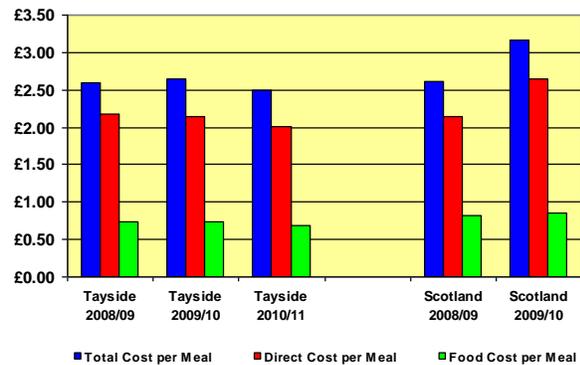


Paid meal uptake in secondary schools also improved in 2010/11, from 27.2% in 2009/10 to 28.9%, although this remains well below the national average of 33.9%. These figures nevertheless reflect a very encouraging improvement trend. Paid meal uptake figures are enhanced further by a significant increase recorded in the number of free meals supplied following changes in eligibility criteria and simplified registration processes

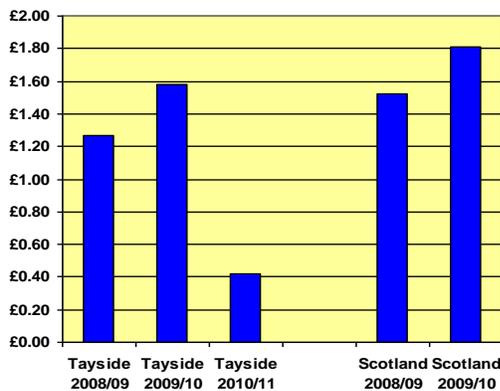
As a consequence of the increased number of meals supplied, and allied to strict control over the management of labour and overhead costs, the cost per meal has reduced in 2010/11. Food price inflation also impacted the cost of meals, but this was largely negated by improved contract prices achieved through collaborative procurement and through a proactive approach to menu development and using cost effective ingredients without detriment to the quality of meals served.

The cost of meals provided by Tayside Contracts remains significantly lower than the average costs for Scotland. In 2010/11 the cost of a school meal provided by Tayside Contracts was £2.49 (£2.65 in 2009/10) compared to the Scottish average cost of £3.17. The food element of the total cost was £0.69, a 9% reduction on the previous year and compares favourably to an average food cost in Scotland during 2009/10 of £0.85.

School Meal Costs



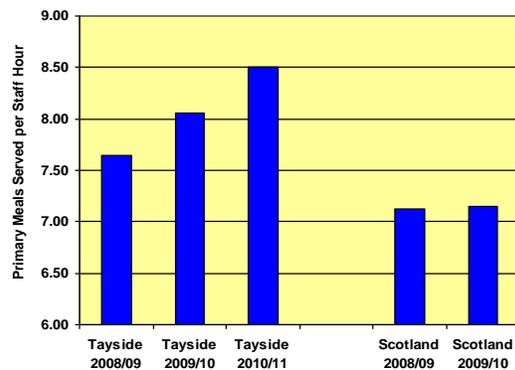
School Meal Subsidy Costs



The Scottish comparison is very 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 to pupils), which has been below the national average in the last two years, has reduced further to £0.42 per meal in 2010/11.

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 again in 2010/11 from an already strong position compared to the national average. The average number of meals (primary schools) per staff hour in Tayside is 8.5 against an average of 7.15 for Scotland in 2009/10 (2010/11 data not yet available).

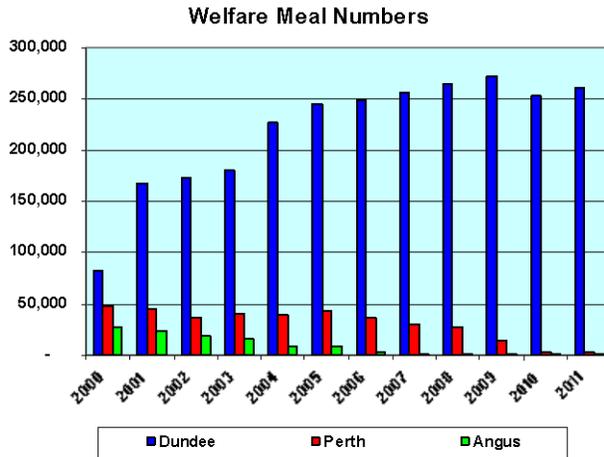
School Meal Service - Staff Productivity



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

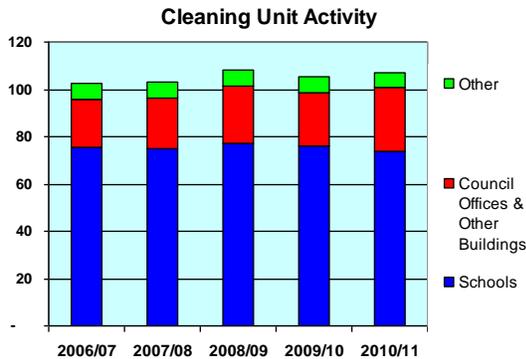
until 2008/09 saw a decline for the first time in over 10 years from 273,000 meals in 2008/09 to 253,000 in 2009/10 following increased prices to luncheon clubs in particular. However, it is pleasing to note that there has been some recovery during 2010/11, with the number of welfare meals increasing to 261,000. A very small number of welfare meals are provided by Tayside Contracts in the Angus and Perth and Kinross Council areas.



Cleaning

Activity

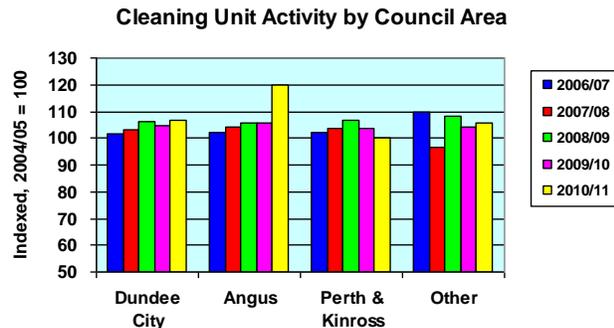
There are no statutory performance indicators which relate to cleaning activities. However, information is provided on the activity of the Cleaning Unit in 2010/11 compared with previous years along with benchmark comparisons extracted from APSE performance network data.



The major element of the Cleaning Unit's activity is the schools' cleaning service, which accounts for around 69% of the work carried out. Of the remaining work, 25% 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. School cleaning activity has reduced with the loss of work on introduction of the new PPP schools in Perth and Kinross. However this has been more than compensated by transfer of office cleaning

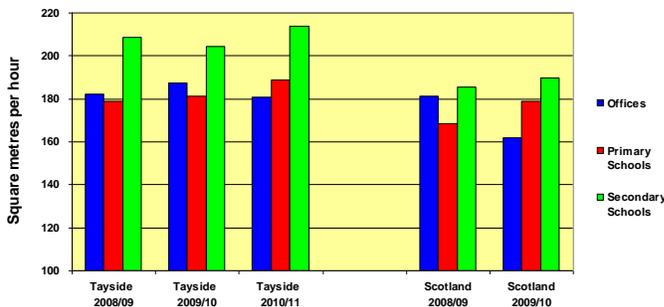
for Angus Council Neighbourhood Services, which transferred to Tayside Contracts in October 2010.

When viewed by Council area, it can be seen that some growth over the last five years has been achieved in the Dundee City and Angus Council areas, while loss of work in the Perth & Kinross PPP schools is reflected in the declining workload in 2009/10 and 2010/11. The otherwise 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

Cleaning Unit - Productivity

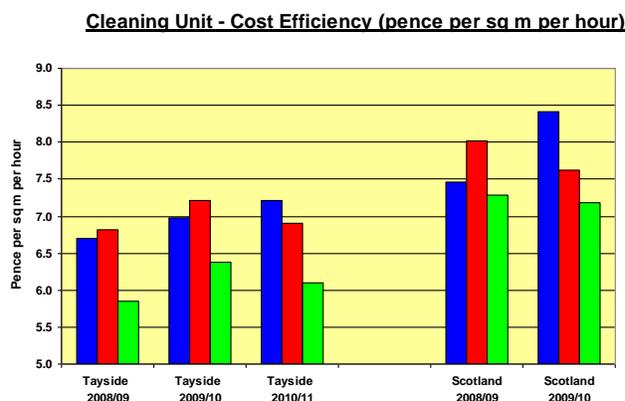
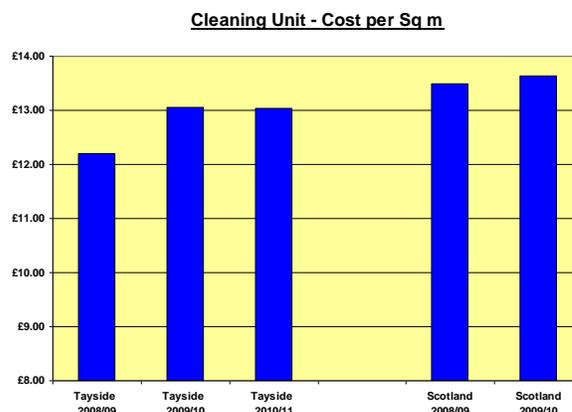


Benchmarking of a range of performance indicators is carried out against other Councils across Scotland and the UK through the APSE performance network. Data collected for 2008/09 to 2010/11 shows a very strong performance with regard to the levels of productivity achieved by Tayside Contracts Cleaning 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. An encouraging improvement in productivity has been evidenced in 2010/11 in both primary and secondary schools. Productivity in office and other buildings has fallen slightly in 2010/11 as new work has been bedded-in and improvement opportunities identified.

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 Councils would indicate that the cleaning service provided by Tayside Contracts remains competitive and cost-effective. In 2010/11, the cost per square metre cleaned by Tayside Contracts was £13.04, maintaining the level of cost achieved in 2009/10. In comparison, the average cost across Scottish Councils was £13.60 in 2009/10 (2010/11 data not yet available).



When taken together, the productivity levels and costs can provide a measure of cost efficiency, which is a good indicator of best value. Dividing the cost per square metre by square metres cleaned per hour gives a cost efficiency measure stated in pence square metre per hour. Again, for each cleaning category Tayside Contracts performance in 2010/11 against the national average (2009/10 being the latest data

available) 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.



During 2010/11, a total of 388,000 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 95.2% achieved, a small decline against the performance of 95.4% recorded in 2009/10.



While an improvement was seen in two of the Council areas, a small decline was recorded in the third. Analyses of cleaning failures are carried out and appropriate corrective actions put in place to ensure the required standards are consistently met.