

APSE Commercialism Advisory Group

Future Opportunities and Tips for
Getting Started

30 January 2018

Talk will cover

1. Tayside Contracts – who we are
2. Commercialisation – what do we mean by this term?
3. Are you ready to compete in the wider market?
 - a. Local Authority / Government Market
 - b. Private Market

What is Tayside Contracts

- Unique DLO/DSO within Scotland (established in 1996) – Original Shared Service
- Operating under Joint Committee
 - Angus Council
 - Dundee City Council
 - Perth & Kinross Council
- Employ 2547 people (3458 posts)
- Turnover £70 million for 2016/17
- Provide the following services
 - Catering
 - Cleaning
 - Construction
 - Janitorial
 - School Crossing Patrollers
 - Vehicle Maintenance & Fleet Management
- Provide internally our own Support Services e.g. IT, HR, Finance etc.
- Undertake work for other authorities and the private sector



Tayside Contracts as an Exemplar of Shared Services

Shared services and collaborative working in a Welsh context: Applying theory to practice



Final Report

National Roads Maintenance Review

July 2012



THE SCOTTISH ROAD WORKS COMMISSIONER

COSLA



Municipal entrepreneurship



Local authority

Innovative public services ahead

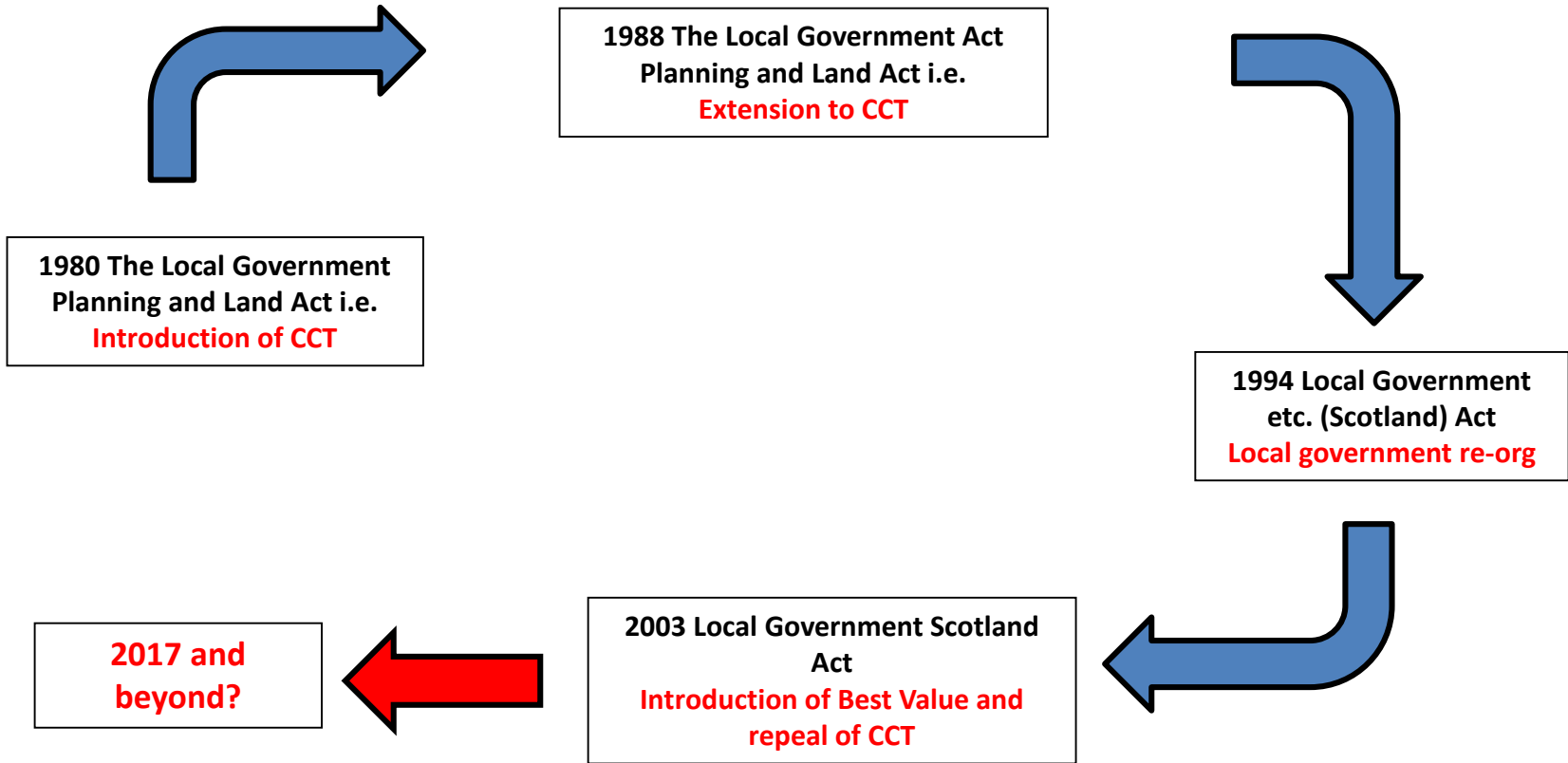
NO

Bureaucracy

Inefficiency

Stick-in-the-mud attitudes

Legislation affecting Scotland



Timeline of Tayside Contracts

- **1982**
 - Roads DLO was set up by Tayside Regional Council
- **1988**
 - Catering and Cleaning DSO was set up by Tayside Regional Council
- **1991**
 - Tayside Contracts became a separate department within Tayside Regional Council
- **1993**
 - Tayside Contracts subsumed the Catering and Cleaning DSO
- **1996**
 - *Tayside Contracts was formed by the three Councils, Angus, Dundee City and Perth and Kinross at local government reorganisation in 1996.*

How we have evolved

- **1996**
 - Dominated by Client/Contractor split
 - Business plan has had the underlining theme of partnering as the way forward
- **2000**
 - Established street lighting partnership with Dundee City Council
- **2003**
 - Established the street lighting partnership with Perth and Kinross Council
 - Dundee City Council roads maintenance partnership established
- **2006**
 - Combined the two street lighting partnerships under one manager
- **2009**
 - All partnerships extended for another three years
 - Angus Council street lighting partnership established

How we have evolved

- **2011**
 - Combined our Catering and Cleaning management structure (Facilities Services Division)
 - Brought our Fleet section in with the Operations Unit (Construction Division)
- **2012**
 - Perth and Kinross Council roads maintenance partnership established
- **2014**
 - Janitorial and School Crossing Patrol services transferred from Angus and Dundee City Councils to Tayside Contracts
- **2015**
 - Fleet Management and Maintenance services transferred from Angus Council to Tayside Contracts
- **2017**
 - Janitorial and School Crossing Patrol services transferred from Perth and Kinross Council to Tayside Contracts

What is Tayside Contracts?

- We are wholly owned by the three Councils
 - *We the Councils' Direct Service Provider*
- The share of Tayside Contracts is:-

	2016/17	1996
– Angus Council -	34.7%	(26.5%)
– Dundee City Council -	32.3%	(25.5%)
– Perth and Kinross Council -	33.0%	(48.0%)
- We are **NOT** a private company
- We are **NOT** an independent legal entity
- However to all intent and purpose we are a separate body negotiating our own terms and conditions of employment etc.

Main Services we provide

• Construction

- Roads and Footway maintenance
- Winter maintenance
- 24 hour Emergency response
- Cyclic and Routine maintenance
- Street Lighting renewal and maintenance
- Surface Dressing
- Quarry products
- Recycling and waste minimisation
- Sign manufacture

• Transport

- Fleet Management
- Vehicle Maintenance
- Fleet Procurement

We also provide all of these for Angus Council

• Facilities Management

- School Cleaning (including PPP schools for Angus and Dundee City Councils)
- Building Cleaning
- Other Cleaning
- Janitorial Services
- School Crossing Patroller Services

• Catering

- School Meals
- Function Catering
- Community Meals (Dundee only)

Commercialisation

Definition (Oxford Dictionary)

***The process of managing or running something
for financial gain***

Sean Nolan, Advisor, Local Government, CIPFA

The **funding constraints** that have been piled on to local authorities over the last few years have caused a significant amount of difficulty for finance managers, but this pressure has also acted as a **driver for creative solutions** right across the country.

Stripping away waste and ensuring services are delivered efficiently, with optimal value for money is, simply put, a good idea, but as funds continue to dwindle, councils must **look for more enterprising approaches** in order to balance their budgets. Many are **looking beyond service efficiencies and actively seek new revenue streams**.

As a concept for delivering public services, 'commercialisation' is by no means a new idea, but how it has been interpreted and adopted over the years has varied widely. **In essence it comes down to income generation or, at least, a return on investment**. This can take a **number of forms**, from establishing partnerships with commercial organisations, to council's setting up independent, autonomous profit-making companies.

Of course, the commercialising public services can be a **contentious issue**, with some arguing that **public services and businesses are inherently different entities**, with different primary responsibilities and aims. It is true that innovation within the public sector does differ from that in the private sector, so while many lessons can be shared, these learnings need to be shaped and adapted.

Questions

- Do you believe that you are a commercial organisation?
- Are you ready to compete in the market place, both public and private?

Commercialisation



OR





It's a JUNGLE out there!

Tayside 
contracts



Look what has happened to them!

DO YOU THINK YOU ARE READY?

Benefits delivered by Tayside Contracts

- 
- A yellow snowplow is shown clearing a snow-covered road in a wooded area. The trees are heavily laden with snow, and the road is partially cleared. A triangular warning sign is visible on the left side of the road.
- Management/General
 - Financial
 - Innovation

Our Definition

Summed up through:

- **Our Vision:**

“To be the preferred business model, delivering an increasingly diverse range of high quality, cost efficient frontline services”

- **Mission Statement**

“Community benefit through the pursuit of excellence”



Management/General

- ✓ We have grown out of the CCT era which means that we are a cost focussed and service focussed organisation
- ✓ Single management structure covering three Councils areas
- ✓ Flexible to respond to differing needs of our three constituent Councils
- ✓ Economies of scale
- ✓ Can offer services which are too expensive for a single Council
- ✓ Retention of specialist skills
- ✓ Market regulation
- ✓ Ability to go after large public contracts
- ✓ Ability to deal with budgetary difficulties which a Council may have

Community Benefit

- ✓ The majority of our materials are purchased from Tayside companies
- ✓ All, except specialist sub contractors are Tayside based
- ✓ Our employees live local to their work locations
 - ***£35 million employee costs, supporting the Tayside economy***
- ✓ Surpluses we generate are returned to the Councils to reinvest in local services
- ✓ We are committed to protecting the local environment
- ✓ We offer competitive high quality services
- ✓ We are committed to working in partnership with local businesses
- ✓ Provide meals in the holidays for the Dundee Food and Fun programme

Innovations – some examples

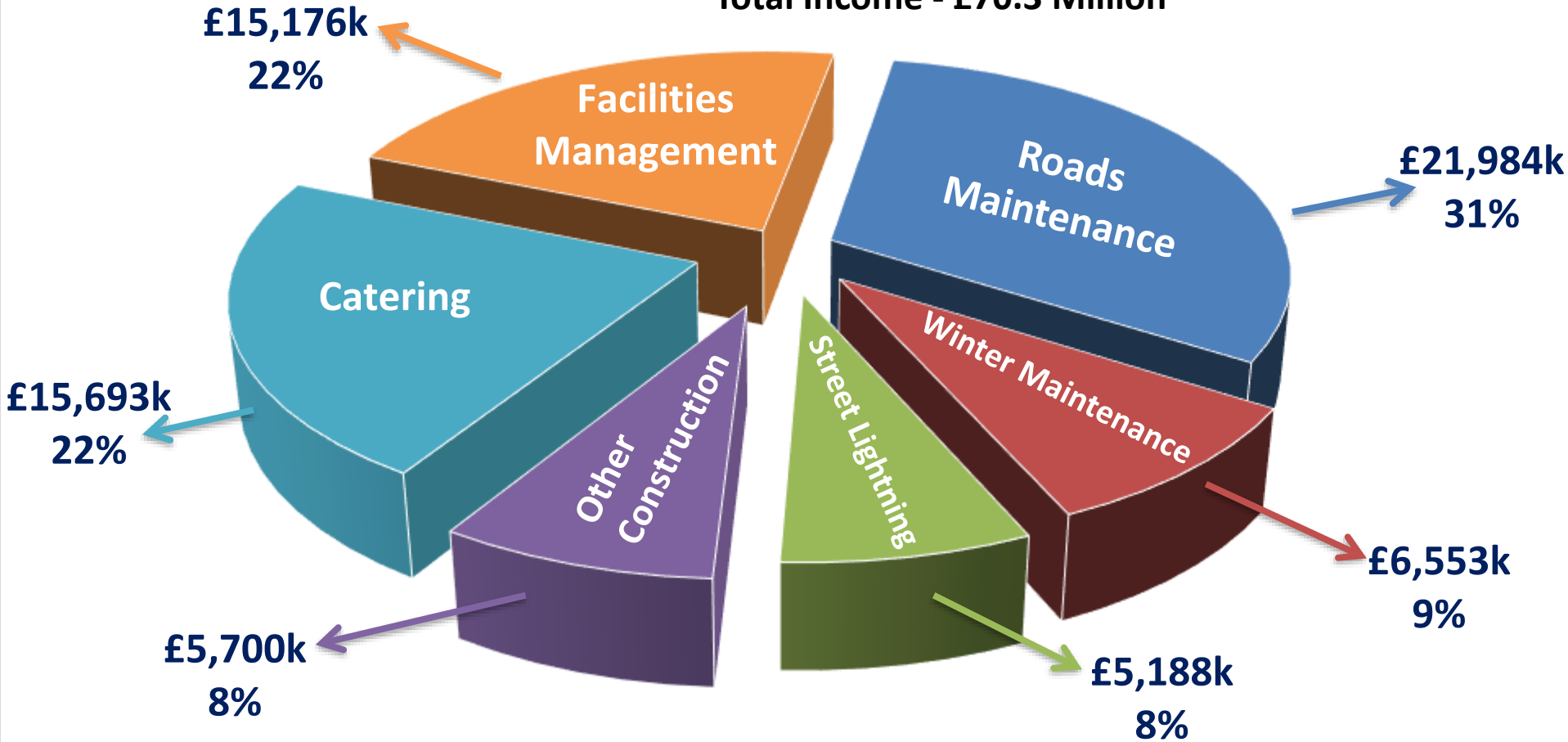
- Reed bed treatment of gully waste
- Cold mix paving system utilising recycling materials – 30% cheaper than conventional systems
- Use of DERL incinerator ash
- Lean construction (business improvement techniques)

Commercialism

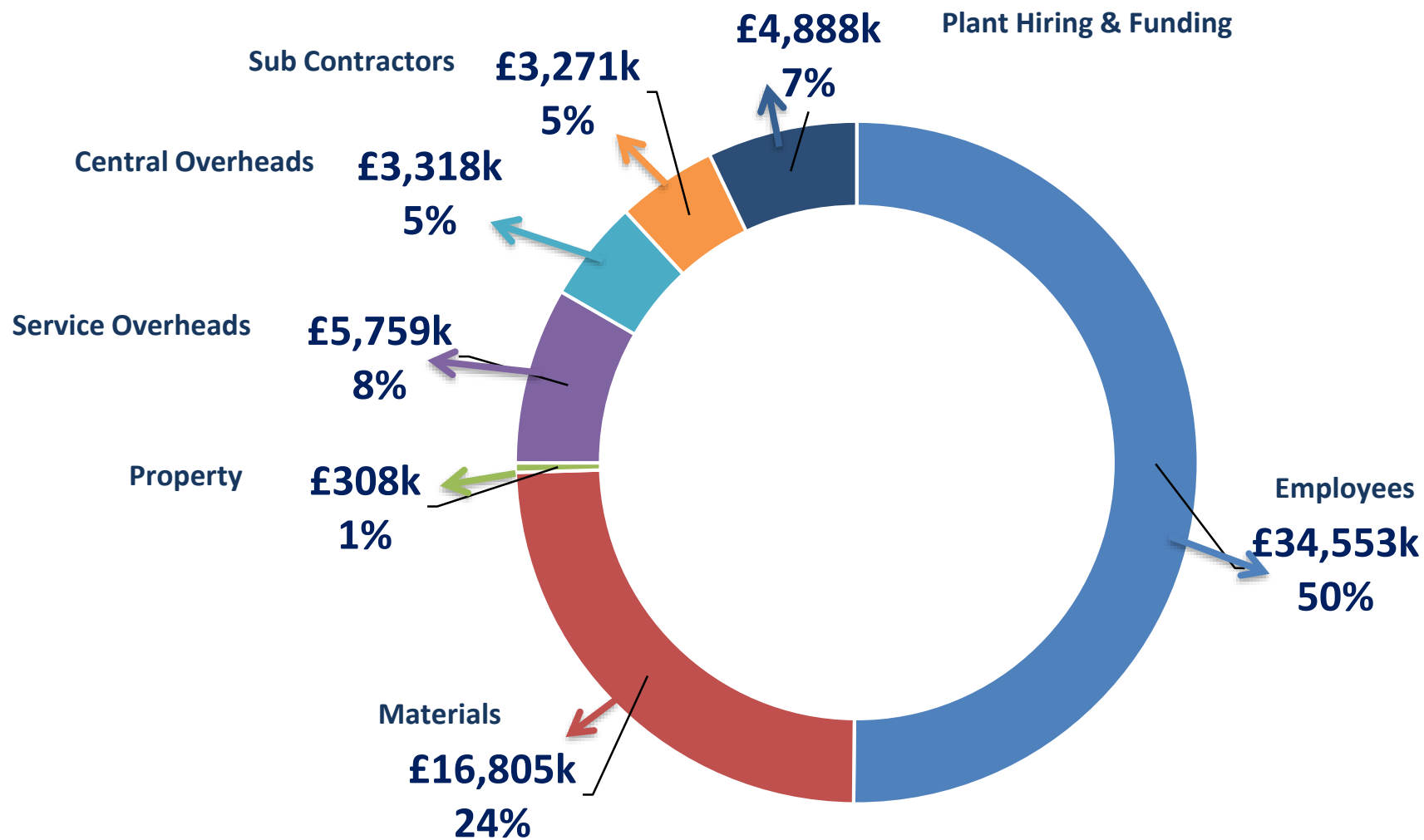
- Know and have control of all your costs

Tayside Contracts income 2016/17

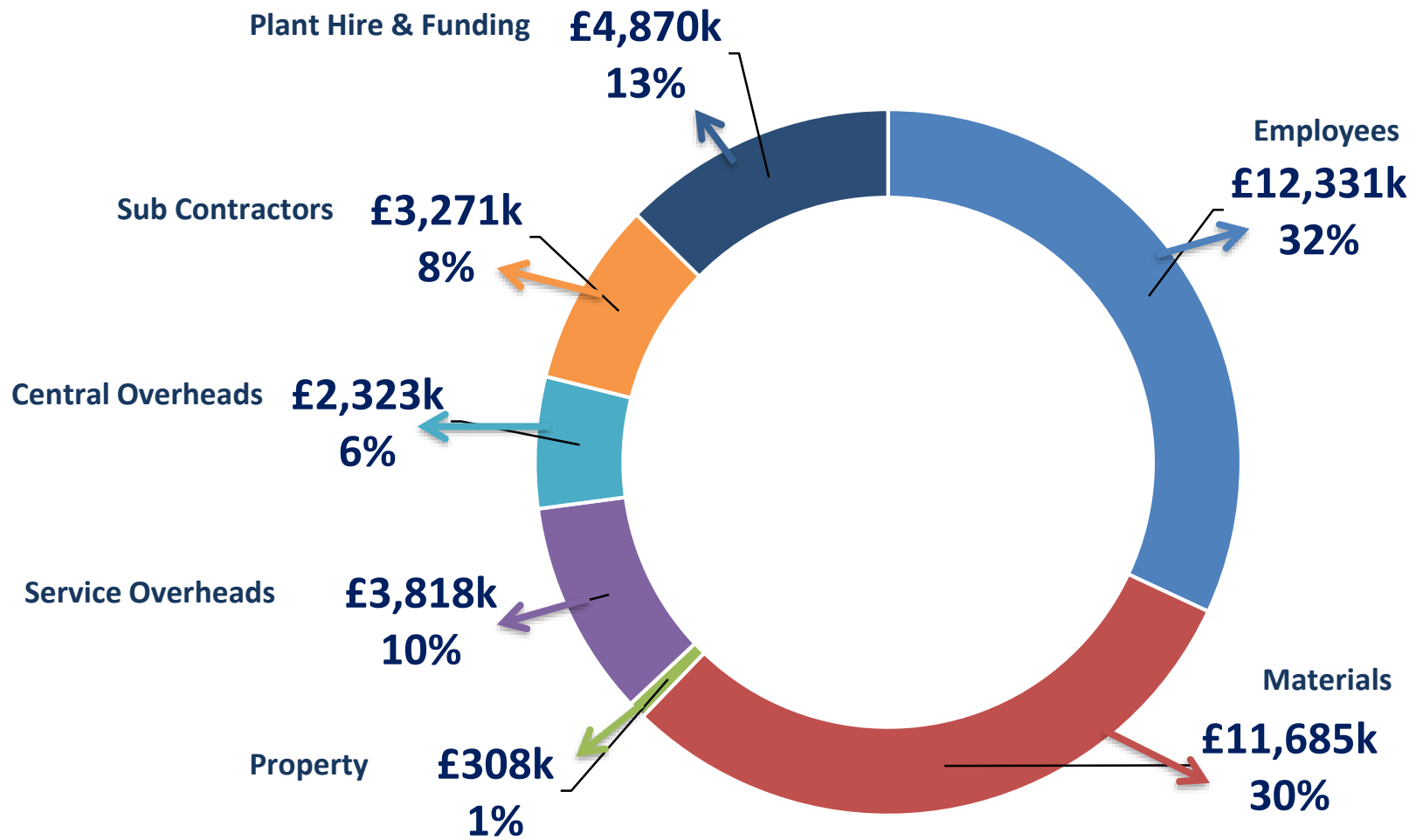
Total Income - £70.3 Million



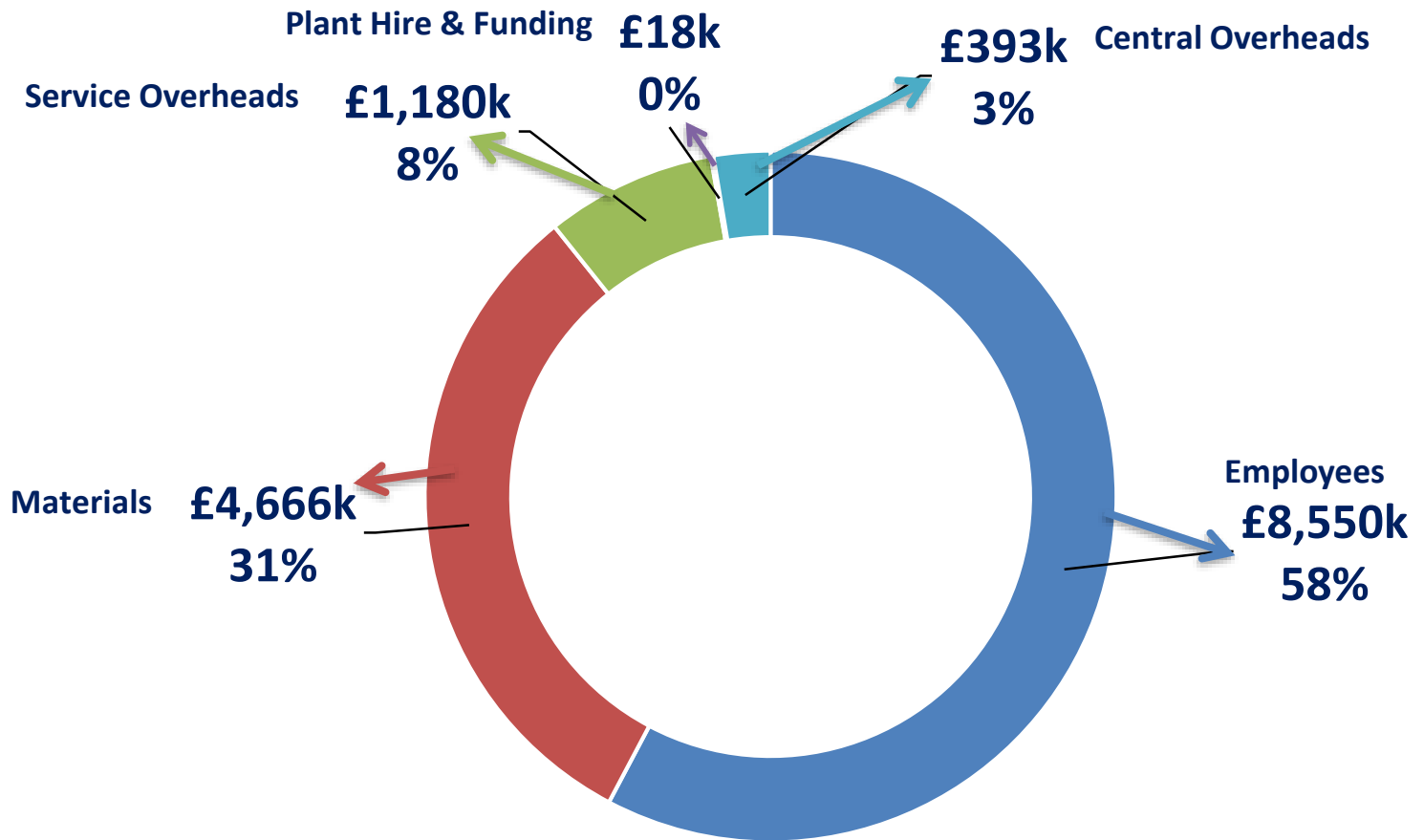
Tayside Contracts total expenditure 2016/17



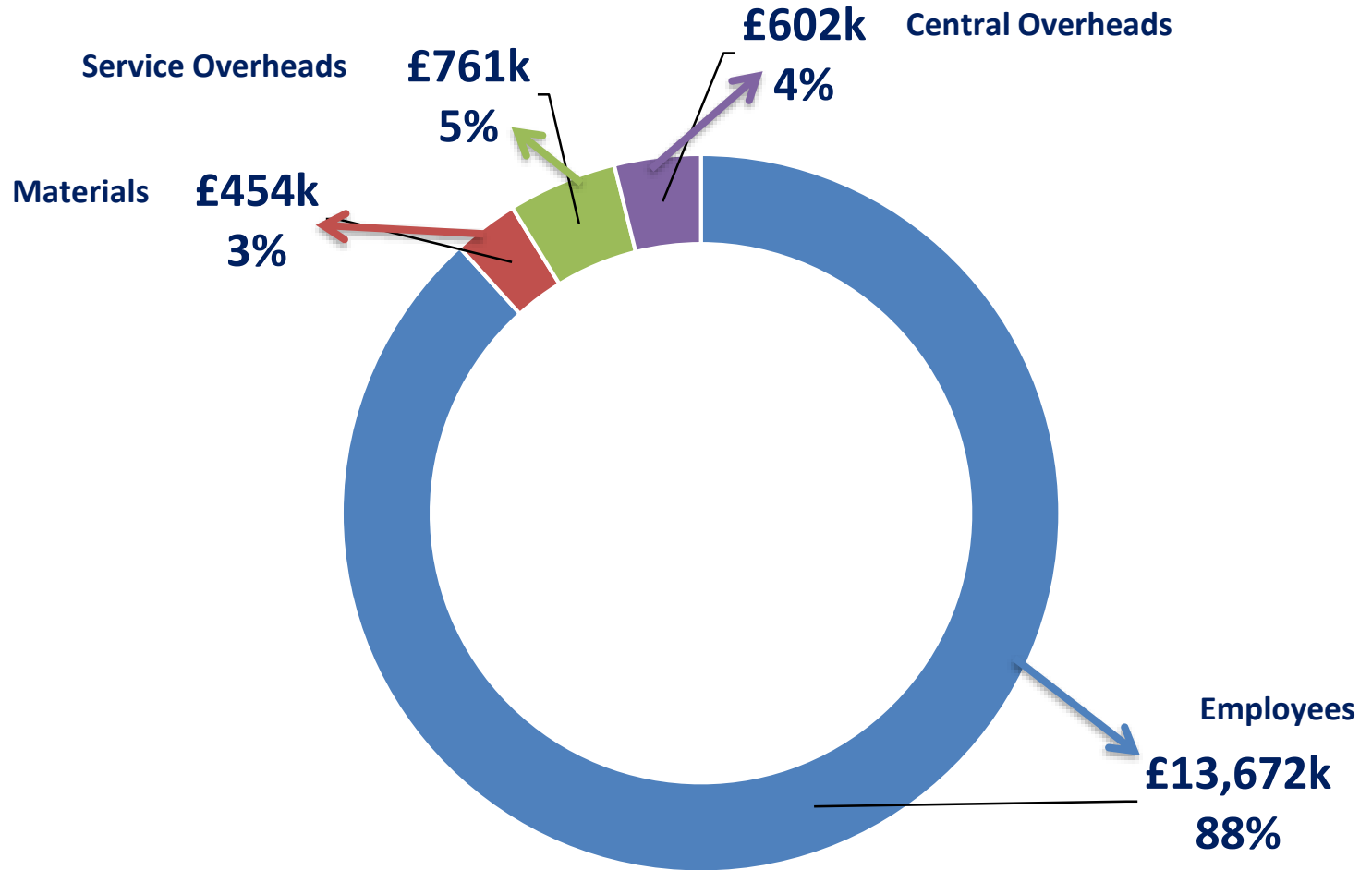
Construction expenditure 2016/17



Catering expenditure 2016/17



Facilities Management expenditure 2016/17



Financial Benefits

- Since 1996 Tayside Contracts has returned **£22 million** to the three Councils
- Since 1996 Tayside Contracts has invested **around £40 million** back into the organisation through the purchase of new plant and equipment and innovation
- Retained **£580,000** in our reserves

Central Costs

- Do you know what these are?
- Do you have any say in agreeing the budget for these?
- Do you have any control over them?
- If your income is reducing can you reduce any of these?

Corporate Services

In house provision of: -

- Senior Management
- IT services
- HR services
- Training
- Health and Safety
- Financial services
- Administrative services
- Property Services
- Procurement

86 employees
(2.5% of employees)

Commercialism

- Know and have control of all your costs
- Know what you are good at

Management/General

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Example

- September 2014
 - Transfer of Janitorial and School Crossing Patrol services from Angus and Dundee City Councils
 - *£430k year on year savings*
- June 2017
 - Transfer of Janitorial and School Crossing Patrol services from Perth and Kinross Council
 - *£200k year on year savings*
 - ***TOTAL SAVINGS £630k Year on Year***

Surface Dressing

- **2017**

- Tayside Councils

- **£2.24 million**



- Stirling, Falkirk, Clackmannan and Fife

- **£1.06 million**

Commercialism

- Know and have control of all your costs
- Know what you are good at
- Be aware of your weaknesses

We run Tayside Contracts as a BUSINESS

Private Markets

- Need staff who are contractually aware
- Cash is key

	Facilities				Total £'000	%
	Construction £'000	Management £'000	Catering £'000	Other £'000		
Constituent Councils						
Angus	966	573	4	0	1,543	18%
Dundee City	691	1,135	1,028	0	2,855	33%
Perth & Kinross	2,104	517	647	0	3,268	38%
Total	3,761	2,226	1,679	0	7,666	90%
Non-Council Debtors						
Other Public Bodies	261	68	3	0	331	4%
Private parties	261	285	3	0	550	6%
Total	4,283	2,579	1,685	0	8,547	100%

Debt Management

Aged Analysis of Debtors

	Construction £'000	Management £'000	Catering £'000	Other £'000	Total £'000	%	Council & Other Public	
							Council & Other Public	Other
Within Terms	3,661	2,020	1,197	0	6,878	80%	6,456	422
0 - 14 Days Over	566	0	5	0	572	7%	488	83
15 - 30 Days Over	44	522	475	0	1,040	12%	1,007	34
31 - 60 Days Over	4	33	1	0	38	0%	34	4
61 - 90 Days Over	2	4	2	0	8	0%	6	2
> 90 Days Over	6	0	4	0	10	0%	6	4
Total	4,283	2,579	1,685	0	8,547	100%	7,997	550
	50%	30%	20%	0%			94%	6%

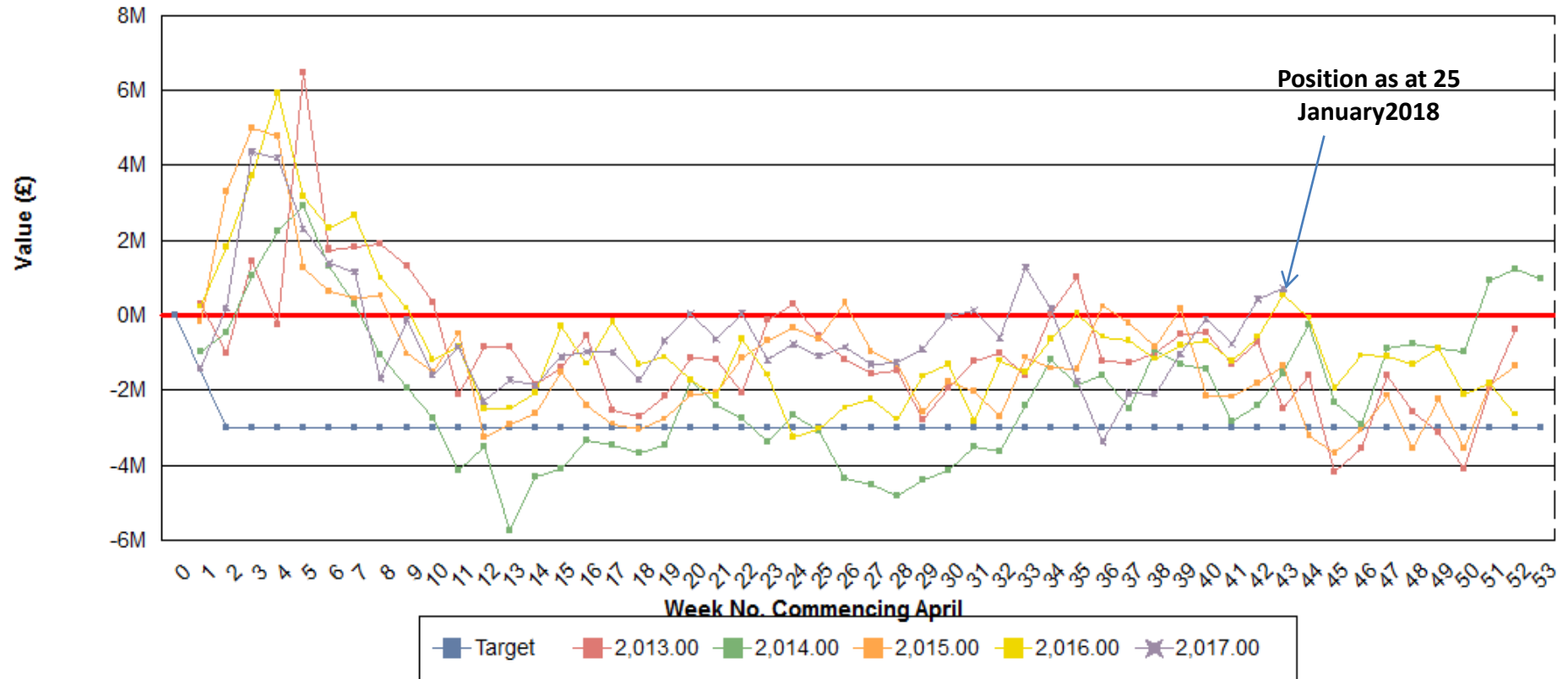
Major Customers > 30 days overdue

	Inv/Cr N No	Days os	Narrative						
DC-HOUSING	1000125456	31 to 60	CLEANING SERV AS PER ATTACHED BREAKDOWN - SEPT 2017 FAO LOUISE TINDAL						
DCC-ENVIRONCLEPINGTON	1000125311	31 to 60	CLEANING OF DUNDEE HOUSES 18TH SEPT TO 22ND SEPT 2017 ORDER NO. S15894 AS PER ATTACHED						
DCC-ENVIRONCLEPINGTON	1000125310	31 to 60	CLEANING OF DUNDEE HOUSES 25TH SEPTEMBER TO 29TH SEPTEMBER 2017 ORDER NO. S15894						
Collin Crichton	1000125499	31 to 60	RELOCATE COLUMN NO 6 AT 18 DURRIS LOAN, DUNDEE MR COLIN CRICHTON JOB NO. 4057764						
DC-CITYDEV	1000125398	31 to 60	ANN STREET/ALEXANDER STREET JOB NO 4055332 - INTERIM NO 1 NEW LIGHTING INSTALLATION REF NO: H991/82728/HALEX						
H & H PROPERTIES	1000125399	31 to 60	TROTTRICK WEST HOUSING DEVELOPMENT LIGHTING WORKS INTERIM NO 2 6416.43 LESS PREVIOUS 4506.49 SEE ATTACHED						
DC-CITYDEV	1000125042	61 to 90	TAY QUISINE RENTAL - MONTHLY AUGUST 2017 FAO JOHN KENNEDY						
DC-EDUCATION	1000125447	61 to 90	DUNDEE CITY COUNCIL TEMPORARY VARIATIONS SEPTEMBER 2017 AS PER ATTACHED. FAO: JIM BONE.						
DC-3EDUCATION	1000124716	61 to 90	CLEANING CONTRACT TEMPORARY VARIATIONS AUGUST 2017 AS PER ATTACHED						
S & S ENERGY (INVERALMOND HSE)	1000124188	over 91	MATERIALS EX COLLACE QUARRY FOR PERIOD 17.07.17 TO 23.7.17 AGGREGATES LEVY TO CUSTOMS & EXCISE INCLUDED IN INVOICE.						
DC-WASTE MANAGE(HAREFIELD)	1000122965	over 91	CLEPINGTON ROAD/BALDOVIE PLANT JOB NO 4052382 CARRY OUT YARDS REPAIR RELEASE OF RETENTION MONIES QUOTE 15DHQ020						
DC-CITYDEV	200009208	31 to 60	Refers to Invoice 1000125398 ANN STREET/ALEXANDER STREET JOB NO 4055332 - INTERIM NO 1 NEW LIGHTING INSTALLATION REF NO: H991/82728/HALEX						
AC-3EDUCATION	200008785	over 91	CREDIT NOTE TO CANCEL INVOICE 1000118273 DUE TO DUPLICATION OF INVOICE 1000118205."ADDITIONAL SERVICES PROVIDED FOR THE SCOTTISH RURAL PARLIAMENT EVENT, 6-10 OCTOBER						
All others under £1k balance		31 to 60 days							
All others under £1k balance		61 to 90 days							
All others under £1k balance		90 + days							
	12	37	7	0	57	100%	Last Month Movement in Month	90	-33
	21%	65%	13%	1%	0.66%		of total debtors		

Tayside Contracts

Comparison of Bank Balance Position

Produced Thursday, January 25, 2018 at 12:38PM



	2017	2016	2015	2014	2013	5 Year Average
Current Week						
43 23-Jan-2018	£713,073.73	£546,314.88	-£1,338,232.97	-£1,538,054.51	-£2,498,128.82	-£823,005.54
Average Weekly Bank Balance	-£468,933.15	-£607,526.52	-£898,379.93	-£2,333,774.12	-£611,250.27	-£983,972.80
Interest at: 0.35%	-£1,331.59	-£1,725.15	-£2,551.06	-£6,627.04	-£1,735.72	-£2,794.11

Private Markets

- Need staff who are contractually aware
- Cash is key
 - Remember you are putting public money at risk
- Companies you work for could close down



Summary

Tayside Contracts' experience since 1996 shows that:-

We are extremely good at what we do i.e. focusing on the delivery of cost effective front line services because it is the sole reason why we are in existence.

Questions

- Do you believe that you are a commercial organisation?
- Are you ready to compete in the market place, both public and private?



**Thank you
for listening**



Question time?