

REPORT TO: TAYSIDE CONTRACTS JOINT COMMITTEE – 20 NOVEMBER 2023

REPORT ON: SUPPORTED SELF ASSESSMENT OF TAYSIDE CONTRACTS - OUTCOME

REPORT BY: MANAGING DIRECTOR

REPORT NO: JC35/2023

1. PURPOSE OF REPORT

1.1 The Chief Executives of Angus, Dundee City and Perth & Kinross Councils, jointly with the Managing Director of Tayside Contracts, commissioned a Supported Self-Assessment by an independent assessor into the activities of Tayside Contracts. This report provides the outcome of that review work, and the actions arising in response to the findings.

2. RECOMMENDATIONS

2.1 It is recommended that the Joint Committee:-

- a) notes the independent report into the Supported Self-Assessment of Tayside Contracts,
- b) Agrees to follow up engagement with Joint Committee members on the future measures that Tayside Contracts will need to make, working in partnership with the constituent Councils, to respond to the significant financial pressures in the current year, and in future years.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report.

4. BACKGROUND

4.1 With the significant challenges facing Scottish Councils, it is more vital than ever to be reassured that public services are being provided through the most appropriate service delivery models; and that maximum focus is given to ensuring efficiencies, transformation and income generation, to mitigate against reductions in public service delivery, as much as possible - as well as maximising the advantages of greater collaboration between organisations offering a route to reducing costs, whilst maintaining public services.

4.2 Therefore, Tayside Contracts must satisfy ourselves and our constituent Councils that we are as cost-efficient as we can possibly be, and that our future plans to maximise our opportunities with our existing council partners, and expand our business to other local authorities, and to a range of public / private customers, will help reduce the costs of our services to our constituent Councils, and help secure the jobs of our employees who provide those services.

4.3 Therefore, to test whether Tayside Contracts is taking appropriate steps to meet these challenges effectively, the Chief Executives of Angus, Dundee City and Perth & Kinross Councils, jointly with the Managing Director of Tayside Contracts, commissioned a Supported Self-Assessment by an independent reviewer into the activities of Tayside Contracts. The purpose of the Supported Self-Assessment was to:

- build the capacity in Tayside Contracts to support evaluation of its own performance,
- continuously improve the quality of services delivered for partner authorities,
- offer independent evaluation and validation of Tayside Contracts' efficiency and effectiveness, within a contracting public sector framework.

4.4 This was to be achieved by establishing: -

- Is Tayside Contracts currently fit for the intended purpose of the organisation and as efficient as it can be?
- Is the quality of services provided by Tayside Contracts being delivered at an optimal level and what level of service options could it provide to the constituent Councils?
- Is the organisation taking appropriate steps to improve; and to secure further business opportunities?

4.5 An independent reviewer was engaged, to support the assessment, and work with the Tayside Contracts Corporate Leadership Team and senior colleagues within the constituent Councils, to assess and consider all the necessary elements to undertake this assignment.

4.6 The Chief Executives and Managing Director appointed Keith Winter to be the independent reviewer for this activity. His experience and expertise were considered to be appropriate for this commission, as he was formerly the Executive Director for Enterprise and Environment for a large Scottish Council and has extensive experience of local authority-based commercial activities, having had the strategic responsibility for the commercial operating arm of that Council. The project brief for this work is provided in Appendix 1.

4.7 The value of having someone outside the organisation fulfilling this role provided access to a trusted expert, who can challenge the organisation's leadership, by asking the questions we may not ask ourselves, and look at the organisation through another perspective (using their own expertise/experience), as well as offering an independent critique of the organisation's activities. It also gives an independent validation of the findings, to give confidence to the three Councils and our Joint Committee that this work has been thoroughly and independently undertaken.

4.8 The brief for this work was agreed in April 2023. The review actively consisted of: -

- Scoping discussions with the three Chief Executives and the Managing Director
- Interviews with senior leadership of Tayside Contracts,

- Interviews with members of the Governance and Strategy Group (Senior representatives from each of the three Councils),
- Review of supporting documentary evidence submitted by Tayside Contracts – this comprised over 130 documents in supporting evidence,
- Meetings with Chief Executives, Governance and Strategy Group members and with the Managing Director to present both the interim findings, and the final report.

4.9 The outcome report from this work by the independent assessor is provided in Appendix 2.

5. FINDINGS

5.1 The key findings from this review work can be summarised as:-

5.2 **Is Tayside Contracts currently fit for the intended purpose of the organisation and as efficient as it can be?**

- There are many strengths in the Tayside Contracts model as it currently exists, which is consistent with a contracting led organisation model.
- Tayside Contracts` structure and shape are not unexpected and appear generally appropriate for the nature and scale of the organisation.
- There are views from Council representatives that there should be some financial savings made in the organisation`s structure, given the approaches being taken in the Councils over reducing budgets. There would need to be sensitivity in making savings to the organisations structure as the management and support costs are not out of the norm, and any push for growth or unexpected events may overstretch the current model capacity, as well as affect the aims for further business development and growth, as set out in the organisation`s Business Plan
- There is considerable information and data capture in relation to performance management, however there is no consensus between the Councils (as owners and primary customers) and Tayside Contracts (as the delivery organisation), on the key measures for the organisation, nor clarity from the Councils on the expected performance of the organisation. The preparation of an agreed and targeted Performance Framework, underpinned by dashboards suitable for the Governance & Strategy Group and Joint Committee, is a priority to assist scrutiny, clarity and monitoring of performance, and to build confidence and trust in the organisation.
- There remains a question over the capacity of the Joint Committee to discharge its oversight role on performance and undertake appropriate and proportionate scrutiny. This fits with a decision at the Joint Committee in June 2023, to remit the Managing Director to carry out a detailed engagement with Joint Committee members to identify their opinions on the governance and scrutiny role of the Joint Committee (Joint Committee report 16/23).

- The report proposes that to enhance links with the broader Council political membership, Tayside Contracts should provide their Annual Performance Report to respective Councils, through an appropriate committee mechanism.
- To assist all parties and establish a forward-looking approach to activity, performance and finance, Tayside Contracts should prepare a medium-term financial strategy to be agreed with the Councils.

5.3 Is the quality of services provided by Tayside Contracts being delivered at an optimal level and what level of service options could it provide to the constituent Councils ?

- This high-level assessment has not identified significant issues with the quality of services provided. This is an area where a more detailed level of certainty is more problematic given the comments above regarding the need for a focused, agreed, and shared performance framework with the constituent Councils.
- Currently different processes operate in relation to engagement with Tayside Contracts. This is most notable in a comparison of the differences in engagement between the Roads and Facilities Management activities undertaken by Tayside Contracts. On Facilities Management, there is clear standardisation of approach which has delivered customer and operational benefits, as well as significant operational savings. However, in relation to Roads related activities there appears far fewer standard approaches from the Councils. There would be a benefit for all from standardisation across areas of delivery, and acceptance from Councils, with a model based on outcomes not inputs.
- There should be a 5-year cycle of Best Value reviews of Tayside Contracts. This should avoid time consuming, piecemeal, and reactive review processes, and allow a periodic step back and reflection for the parties on the direction of travel.

5.4 Is the organisation taking appropriate steps to improve, and to secure further business opportunities?

- A clear focus and expectation from colleagues from the Councils is the pursuit of business growth for Tayside Contracts. A good start already exists for a focus on areas to pursue in the content of the Tayside Contracts Marketing Strategy 2023 and the Commercialisation & Collaboration matrix, which is a ranked list of potential collaboration and commercial opportunities, that sets the priorities for the organisation to pursue and review.
- Tayside Contracts' [Business Plan](#) outlines the priorities for improvement and development. There is good, related activity in here, and with endorsement by all as part of the focus for activity, performance, and process, will assist understanding of the intended approach over the next few years.

- The financial data, budget reports, cost models and income detail displays a competency in reporting and analysis of the position of Tayside Contracts.
- The documentation, covering internal audit, council reporting, asset registers, APSE information and around performance all came across as acceptable and that bases are covered.
- In relation to business plans, strategies and an up-to-date strategic plan, no omissions in approach were detected from that which would be expected for an organisation in relation to the this review.

5.5 Report Conclusions

- The Tayside Contracts model based on the review undertaken is a valid model for going forward. There are, some improvements and changes which can help gain more from the model and the relationships involved.
- Relationships across parties are not consistent, and the standing of the relationship between the respective Councils and Tayside Contracts needs affirmed i.e., that Tayside Contracts is an affiliate organisation to the Councils collectively. This message will help foster closer working.
- To achieve business development and growth requires some structural adjustment in Tayside Contracts to free up resource to develop opportunities, but particularly case manage this through to conversion of opportunities into sustainable, profitable business.
- All parties recognise that there are areas for improvement, though this requires transparency, trust, and acceptance of some risk, by all involved, to optimise the approach, and maximise returns from this unique model in the Scottish landscape.
- Overall, the report concluded that currently there is no benefit to any or all the Councils stepping away from the Tayside Contracts model.

The main headline recommendations were:

- Review of Governance & Strategy Group remit
- Develop a Five Year working framework
- Review Joint Committee reporting and use of digital tools
- Develop a Performance framework
- Develop a Medium Term Financial Strategy
- Review Partnership agreements
- Standardisation of standards across Roads activities
- Review the Business Development model
- Review of Tayside Contracts structure and focus
- Periodic Best Value reviews (5 yearly)

- 5.6 These findings are accepted by Tayside Contracts Corporate Leadership Team, and the proposals have been incorporated into an action plan to be implemented within the timescales set in the report. The Action Plan is detailed in Appendix 3. It includes both the headline recommendations mentioned above, and also other proposals detailed in the report.
- 5.7 The review has identified several actions which require the collective input of both Tayside Contracts and the constituent Councils. These will be actioned through the Governance and Strategy Group.

6. KEY CHALLENGES AND NEXT STEPS

- 6.1 In addition to implementing the Action Plan detailed in 5.6 above, the report highlights several key challenges relating to future financial sustainability. These are being amplified by national factors which have intensified since this report was initially commissioned.
- 6.2 The Supported Self Assessment report highlighted the ongoing costs pressures facing Tayside Contracts and the constituent Councils. Section 2.1.81 refers to the impact of 2022/23 pay award which added an additional recurring cost to Tayside Contracts' pay bill of £4.5m, as pay awards are weighted to lower paid workers, and 73% of Tayside Contracts' employees are on the lowest local authority pay levels. This cost pressure will be accumulate, with the indications that the 2023/24 pay award will also be greater than inflation, with the current pay offer increasing lowest paid workers' pay by just under 10%.
- 6.3 In addition, inflationary impacts on goods and services - particularly food inflation- are compounding these financial pressures, both with the current year, and accumulating into future years, with increased costs to Tayside Contracts resulting in higher charges to constituent Councils for services provided, at a time when Councils are already facing significant pressures. The report highlights the pressures on public services, referring to the Scottish Government's Medium Term Financial Strategy which identified a spending deficit of £1 billion in 2024/25 (section 2.1.7). A necessary outcome is therefore to address the continued financial and organisational challenges being faced by Tayside Contracts and the three Councils, with a need for urgency in developing a sustainable model where services are provided, to align with the funding that the constituent Councils can afford.
- 6.4 Therefore, the focus both arising from the Supported Self-Assessment report, and continued cost pressures, is how to achieve solutions to manage within the available financial envelope. The report addressed several of these issues through: -
- The importance of generating income through developing business opportunities (section 2.3)
 - Improvements to productive working through enhanced collaboration and standardised approached (section 2.2.1.2)
 - Reducing costs through review and reduction of service delivery models (section 4.13)
 - The need for a Tayside Contracts Medium Term Financial Strategy (section 4.7)

- 6.5 The report recommended that the Governance and Strategy Group should oversee progress on these issues.
- 6.6 Tayside Contracts is already addressing these through a Change Plan of transformational activities, and further areas for service review, and a prioritised list of targeted commercial and collaborative opportunities. Actions have been set out in terms of three categories:
- Income generation - targeting priority areas to generate surplus through providing services to other public and private sector customers,
 - Efficiencies - reviewing all our service areas to identify cost reductions through more effective and innovative ways of working,
 - Service reductions - where insufficient savings can be realised through the other categories, options have been identified for reductions in services provided to constituent Councils.
- 6.7 These issues are both complex and challenging and it is recommended that a priority next step arising from this report will be further engagement with Joint Committee members, to share information on the scale of the financial challenges, as well as options to address these. It will be important to carry out this work in the near future, to help inform Joint Committee members, and other Councillors when developing both Council budgets, and Tayside Contracts` budget, as well as the development of Tayside Contracts Medium Term Financial Strategy.

7. DATA PROTECTION IMPACT ASSESSMENT (DPIA)

- 7.1 The issues considered within this report have, as required by legislation, been the subject of consideration from a data protection perspective.
- 7.2 A data protection assessment is not required.

8. EQUALITIES ASSESSMENT

- 8.1 The issues considered within this report have, as required by legislation, been the subject of consideration from an equalities perspective.
- 8.2 An equalities impact assessment (EqIA) is not required.

9. CONSULTATIONS

- 9.1 The Governance and Strategy Group along with the Clerk and the Proper Officer to the Joint Committee have been consulted on the preparation of this report.

10. BACKGROUND PAPERS

- 10.1 None.

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Approved

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