

ITEM No ...5.....

REPORT TO: POLICY AND RESOURCES COMMITTEE - 18 NOVEMBER 2019

REPORT ON: THE FUTURE DELIVERY OF CONSTRUCTION SERVICES

REPORT BY: CHIEF EXECUTIVE

REPORT NO: 308-2019

1. PURPOSE OF REPORT

1.1 To update members on progress regarding the future delivery of Construction Services.

2. RECOMMENDATIONS

It is recommended that Committee:

- (i) note the progress made in developing a formal partnership between Dundee City Council and Tayside Contracts for the delivery of Construction Services, which would allow Construction Services to be awarded or bid for work to a wider market including neighbouring or other Authorities;
- (ii) note that proposals are being developed for the rationalisation of Dundee City Council depot facilities at Clepington Road and Marchbanks;
- (iii) note the ongoing development and implementation of improved IT systems which will assist with the management of repairs and facilitate partnership working;
- (iv) note that the long-term aim remains to seek a transfer of Construction Services employees from Dundee City Council to Tayside Contracts as the best way to secure a sustainable long-term future for the service; and
- (v) note the proposal to review pay and conditions at Construction Services and the proposal to look for opportunities in future to align resources with Tayside Contracts where this would help to grow the partnership and secure additional work.

3. FINANCIAL IMPLICATIONS

- 3.1 Access to new markets provides the potential for additional income to Construction Services.
- 3.2 Provision has been made in the Council's Capital Plan for the cost of the salt barn referred to in Section 6.1.

4. BACKGROUND

- 4.1 Reference is made to Article VIII of the minute of the Policy and Resources Committee of 31 October 2016, wherein the decision was taken to:
 - pursue the establishment of a formal partnership between Tayside Contracts and Dundee Construction Services for the delivery of construction related services in the city;

- establish a Steering Group led by the Executive Directors of Neighbourhood Services and City Development to develop and finalise the operational, financial and governance arrangements for the new partnership;
- note that the service model would be developed in close consultation with appropriate trade unions and employees; and
- note that further reports would be submitted for members' consideration prior to the implementation of the new partnership approach.

This decision followed a review of Construction Services and an option appraisal by an independent adviser, as part of the Council's Changing For The Future Programme. This programme seeks to ensure that we deliver best value in a challenging financial environment by re-shaping services and managing our assets effectively. The proposals also reflected Our People Strategy which guides how we develop a flexible and sustainable workforce to deliver services in the context of a rapidly changing work environment.

4.2 Following the decision to pursue a partnership between Construction Services and Tayside Contracts:-

- a Project Steering Group was established and undertook detailed planning through workstreams on People, Finance, Assets and Information Technology;
- employees and other stakeholders were kept informed through a series of communications and meetings;
- discussions took place with the trade unions regarding wider formal partnership working and, in the longer term, the potential transfer of employees;

5. UPDATE

5.1 Over the period since 2016, there have been significant developments with Construction Services:

- Financial performance - Construction Services is required to return an annual financial surplus to the General Fund. In the last two financial years (2017/2018 and 2018/2019), the surplus generated equated to an average 6.65% on a £29m turnover per annum. This represents an average improvement on targeted return of 1.30% per annum.
- IT - To enable Construction Services to respond positively to the environmental challenges ahead, coupled with the need to modernise working practices, a modern IT system has been procured. The scope of this system will cover the full business of Construction Services with key integrations needed to corporate financial and housing management systems. This will deliver support to key business functions and enhance service delivery by implementing a scheduling/appointment system within the reactive repairs service. Full implementation is planned for 2020.
- Procurement - Construction Services continues to make a significant contribution to the local economy through its engagement with local suppliers and specialist sub-contractors. In the past two financial periods, 86% of goods and services were locally procured with an approximate value of £7.80m/annum.
- Project Delivery - Within the past two financial periods, Construction Services has successfully delivered 181 mainstream construction projects across a continually expanding portfolio including:
 - Refurbishment of East Wing City Square £800k
 - Conversion to Form Retail Units, Shore Terrace £650k
 - MSD Lift Replacement £2.30m
 - Expansion of Early Years provision - Ardler Nursery £870k
 - School Improvement Programme 2017 and 2018 - 46 Projects, £4.10m over six week contract period
 - Domestic Boiler Replacement Programme 2017 and 2018 £7.18m

In addition, Construction Services has also successfully engaged a Design and Build vehicle for the delivery of the Wakeboard Centre, City Quay (£1.1m) and the HMS Unicorn On-board Works (£300k).

- Apprentices - Construction Services continues to provide strong support to the local construction industry and has maintained apprentice engagement at a ratio of 10% of the craft workforce, currently employing 32 trade apprentices. In addition to the traditional recruitment process for apprentice engagement, Construction Services has further supported local construction industry training by "adopting" a number of existing apprentices following the demise of local businesses. In the past two years, Construction Services have engaged 11 individuals via this vehicle, including 7 apprentices from the former McGill Ltd.
- Design, Property and Construction Services Partnership - The establishment of this partnership has successfully delivered positive outcomes in relation to workload planning and promoted a collaborative approach to overall project delivery. The partnership has succeeded in realising a number of key strategic improvements including project cost certainty, quality and project programming. In addition, Construction Services has been afforded the opportunity to extend its project portfolio which will assist in achieving the key objective of a long term sustainable workload.

5.2 Building on this platform of success, there is support for the view that transferring Dundee Construction Services to Tayside Contracts would, in the longer-term, create further opportunities to improve the economy, efficiency and effectiveness of these services while also providing better job security for the workforce. These benefits would arise from scope to reduce operating costs by removing duplication and achieving economies of scale, and to diversify across new markets and geographic areas, helping to manage peaks and troughs in workload and providing better job security and career opportunities.

5.3 However, while significant progress has been made, it has become apparent that it will be very challenging to bring about, in the near future, the harmonisation of terms and conditions which would be required if all the employees of Construction Services were to transfer to Tayside Contracts, without creating a 'two tier' workforce.

5.4 An alternative approach is therefore being proposed, which would see the establishment of a formal partnership agreement between the City Council and Tayside Contracts for Construction Services, similar to the collaborative approaches for the delivery of other services such as roads maintenance and street lighting. This would allow Construction Services access to some extended markets and also build confidence among other agencies and other customers in the ability of Construction Services.

5.5 Interim work has identified opportunities in the wider market place which would support incremental growth. Whilst this work is commercially sensitive at present it does demonstrate clear opportunities for Construction Services. This is particularly critical at a time when Dundee City Council Capital Works Plans indicate a decline in the Council's capital programmes in the medium to long term. Evidence suggests that there are organisations facing challenges in getting competent contractors who can meet their quality standards and timescales in legal compliance type property works. In one organisation alone £1.2m of work has been identified in which Construction Services have operatives with the skills to deliver.

5.6 The experience and good track record of Construction Services partnered with the skills and knowledge of Tayside Contracts in a wider geographical area harmonises the strengths of both organisations to deliver a wider range of services and products. More details of this proposed approach are set out below.

6. PROPOSALS

6.1 The proposed way forward is set out below:

- Dundee Construction Services

It is proposed to set up a partnering arrangement, similar to the Dundee Roads Maintenance and Street Lighting Partnerships, to be managed by Tayside Contracts for

the potential delivery of property and maintenance services for other Local Authorities and public sector bodies. Other opportunities include work for existing Tayside Contracts properties, NHS Tayside and other public bodies including RSLs and private sector. Since a full transfer is not being proposed, this would involve a relatively small number of Construction Services management and employees coming under this arrangement. This work would come under the Tayside Contracts management structure and would be governed by a Partnership Board like the other partnerships. It is important to be clear that this is not a transfer of employees but simply two groups of employees coming together under a partnering agreement.

The existing partnerships operate under a Partnership Manager who is responsible for employees from Tayside Contracts and from one or more of the Councils. At least initially, it is not envisaged that a Partnership Manager would be required in this case given the limited scale of work involved. In other such partnership arrangements, Council employees do not transfer to Tayside Contracts and retain their own terms and conditions. This arrangement is overseen by a Partnership Board made up of representatives from all the partners.

This arrangement would enable Tayside Contracts to use the fact that it operates over the three local authority areas to open up new markets for Construction Services to undertake works for other Local Authorities property and education departments.

The partnership would engage Construction Services wherever possible on a sub-contract basis to provide a wider range of services which can either be awarded to the partnership or can be won by the partnership.

- Depots

Reorganisation of the City Council's Depots and Stores has been identified as an opportunity to deliver previously agreed savings, improve energy efficiency and to enhance working conditions for staff in a number of locations. A proposed approach had been developed and is now being modified as part of preparation of a business case for inclusion in a future Capital Plan. Officers are now preparing a series of improvements within existing depot sites to reduce the footprint of the Council estate, and improve the working environment. As part of this, a covered salt barn will be introduced which will reduce cost of winter maintenance. This is provided for in the capital programme.

- Longer-Term Aim for Transfer of Construction Services Employees to Tayside Contracts

There are many benefits which could be delivered if Construction Services employees transferred to Tayside Contracts and this should remain a long-term goal. However, a TUPE transfer is not feasible given the challenges around the different terms and conditions of the two employers.

It is proposed that the Council should continue to progress revision of the pay and conditions of the Construction Services employees, undertaking a job evaluation exercise of the traditional trades' posts to allow this service to merge into the Dundee Pay and Grading Scale and onto a monthly payment of salary.

- IT Systems

It is proposed that officers continue to work on the development of Total Mobile Working, Scheduling and Repairs System, which will facilitate partnership working between the City Council and Tayside Contracts.

6.2 This approach is pragmatic and provides clarity to stakeholders, while also indicating that the business case for the transfer is still being developed.

7. CONCLUSION

7.1 Based on the differences in the terms and conditions of Construction Services and Tayside Contracts employees, the proposal to transfer all Construction Services employees to Tayside Contracts is not regarded as feasible in the short-term.

7.2 The alternative approach suggested in this report would ensure that we continue to build upon and maintain the impetus of the collaborative work which has taken place over the last two years, and demonstrate to employees the benefits which can be derived from growing the partnership between the City Council and Tayside Contracts. The long-term vision is still to develop a sustainable organisation which:

- protects, supports and develops employees
- delivers best value, high quality services
- grows the business

8. POLICY IMPLICATIONS

8.1 This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

9. CONSULTATIONS

9.1 The Council Management Team and Managing Director of Tayside Contracts and relevant trade unions were consulted in the preparation of this report and were in agreement.

10. BACKGROUND PAPERS

None.

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DATE: 7 NOVEMBER 2019

