



SCRUTINY COMMISSION: 6th JUNE 2018

OUTLINE COMMERCIAL STRATEGY AND WORKPLAN 2018-2022

REPORT OF DIRECTOR OF CORPORATE RESOURCES

Purpose of report

1. The purpose of this report is to seek the views of the Commission on the Outline Commercial Strategy and Workplan 2018-2022 as part of the consultation prior to the Strategy being considered by Cabinet on July 6th 2018.

Policy Framework and Previous Decisions

2. In November 2013, at a meeting of the Scrutiny Commission, a report on the progress made on traded services was considered. The Director of Corporate Resources welcomed the opportunity to have Elected Members involved in the process of reviewing and shaping the Council's future approach to trading.
3. At that meeting there was agreement that it was important to continue trading and to retain and build upon existing business, particularly in relation to schools.
4. A Scrutiny Review Panel commenced a Review of Traded Services in June 2014 reporting to Cabinet on 19th November 2014. The Cabinet accepted the recommendations of the Panel and asked the Chief Executive to ensure that they were acted upon.
5. With the continued financial pressure on the County Council the requirement to raise additional revenue has become a key element of the Council's Transformation Programme and has been specifically included in the County Council's MTFS since 17th February 2016.
6. In June 2016 the Scrutiny Commission received an update on the progress that had been made in delivering the recommendations of the Scrutiny Review Panel.

Background

7. Given the scale of the financial challenges facing the Council it has, in recent years, had to adopt a more commercial approach.
8. There have been some notable successes in the work undertaken so far, partly within Departments and partly through the stand – alone Trading Unit, Leicestershire Traded Services (LTS) brand, such as:

- The LTS surplus grew by c. £900k last financial year as a result of efficiencies, cost control and additional sales.
- The customer base has increased both in terms of other public bodies such as other Local Authorities, Police Forces, Fire Services in Leicestershire and surrounding areas as well as schools in Leicester City, Rutland and Nottinghamshire.
- An online trading platform has been created, allowing customers to log on, view the services they buy, renew annual service agreements, book on courses and buy new services. In April 2018 approximately £500,000 of renewals were made on line.
- Significant work has been undertaken to understand fully costs and margins and to start creating profit and loss accounts for key commercial service areas. New financial process have been introduced to record future sales, monitor progress against stretching targets and control spend better.
- A programme of engagement and negotiation with suppliers has delivered significant savings on third party costs and staff are becoming more accomplished and confident in taking a more commercial approach with suppliers.
- The initial branding work has been developed further with campaigns targeted at specific markets, the online presence has been expanded particularly in those areas trading with the public and annual marketing plans promote different services in line with buying patterns of customers.
- School Food has been particularly successful and is winning new customers in Leicester City and developing relationships with Schools and Colleges in other neighbouring geographical areas.
- A four year business plan has been produced so that managers have a very clear understanding of their current and future financial targets which allows them to carefully control costs and plan ahead for growth.

LTS Summary Plan	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
	£	£	£	£	£
External	13,200	14,900	15,300	15,600	15,900
Internal	9,000	9,000	9,100	8,800	8,800
Sales	22,200	23,900	24,400	24,400	24,700
Capital Financing	-100	-100	0	0	0
Indirect Employee	-100	-100	-100	-100	-100
Premises Related Expenditure	-1,000	-1,100	-1,000	-1,000	-1,000
Staffing	-12,100	-13,400	-13,600	-13,300	-13,200
Supplies & Services	-7,300	-6,900	-6,700	-6,400	-6,400
Support Services	0	0	0	0	0
Third Party & Transfer Payments	-100	-100	-100	-100	-100
Transport	-300	-300	-300	-300	-300
Operating Costs	-21,000	-22,000	-21,800	-21,200	-21,100
Net Operating Contribution	1,200	1,900	2,600	3,200	3,600

- In other trading areas ESPO surplus has grown from £1m to nearly £4.5m over the last three years.
 - EMSS has taken on the majority of Leicester City schools, is at an advanced stage with health providers in Nottingham to establish an EMSS health service arm, and has a joint venture arrangement with a private sector partner to review debt collection processes at other local authorities.
9. However, there have been some areas where progress could have been quicker particularly in relation to setting up alternative operating models to enable trading with the private sector or to establish joint ventures. To increase the pace of change and ensure that trading income makes an increasing and meaningful contribution to the Council's budget a step change in approach is required and an outline Commercial Strategy has been developed.

Commercial Strategy

10. The Outline Commercial Strategy is attached at Appendix 1. It proposes 3 workstreams which will develop and embed a more commercial approach across the Council and generate additional resources. The three workstreams are:

Embedding Commercial Awareness and Skills – training and development for managers, commercial skills added to leadership competency frameworks and a toolkit for service reviews.

Enhancing current trading activities – investing in trading areas to build on the success of LTS, applying similar models of financial control, costing, product development, sales and marketing across the Council. Highways Development Works and Services to Schools will be the initial priorities.

Developing new models of service delivery – examining options for different models of service delivery, trading and joint ventures.

We will also create a small Commercial Development Team which will work alongside departments and the Transformation Unit to deliver programmes of work and create a Commercial Delivery Board to oversee the Councils' commercial activity and monitor the delivery of this strategy.

A detailed programme of activity along with milestones and outcomes will be developed over the coming months and presented to the first meeting of the Commercial Delivery Board for agreement in September 2018.

Governance

11. A Commercial Strategy Annual Report will be prepared and considered by the Cabinet and the Scrutiny Commission in June. The Strategy will subsequently be updated as required.
12. Proposals relating to options for different models of service delivery, trading and joint ventures will be subject to the existing decision making protocols, briefings, scrutiny and Cabinet approval.

13. An internal Commercial Delivery Board will be created which will oversee progress of the Commercial Strategy, the performance of Traded Services and agree and review Business Cases.

Consultation

14. Chief Officers and relevant officer within departments were consulted as part of the development of the Commercial Strategy and their comments incorporated into the strategy and work plans.
15. This report forms part of the consultation with the Overview and Scrutiny Committee prior to it being considered by the Cabinet on 6th July 2018.

Resource Implications

16. In order to identify and generate additional resources there will be the need for extra capacity and skills to support departments. The specific details are currently being developed and are likely to be in the region of £200k on the basis that the activity will generate far in excess of this investment.

Timetable for Decisions

17. The Strategy is being considered by the Cabinet on July 6th 2018 and the views expressed by Scrutiny will be reported to the Cabinet.

Conclusions

18. This report is to update Scrutiny Committee on the progress being made by Leicestershire Traded Services and invite comments from members on the Outline Commercial Strategy and Workplan.

Background papers

Traded Services - Scrutiny Commission - 6 November 2013
<http://politics.leics.gov.uk/documents/s88211/Traded%20Services.pdf>

Final Report of the Scrutiny Review Panel on Traded Services - Scrutiny Commission - 5 November 2014
<http://politics.leics.gov.uk/documents/s96835/Final%20Report%20of%20the%20Scrutiny%20Review%20Panel%20on%20Traded%20Services.pdf>

Update on Leicestershire Traded Services - Scrutiny Commission 15 June 2016
<http://politics.leics.gov.uk/documents/s119765/Update%20on%20Leicestershire%20Trade%20Services.pdf>

Circulation under the Local Issues Alert Procedure

None

Equality and Human Rights Implications

19. There are no equality or human rights implications arising directly from the recommendations in this report.

Appendices

Appendix 1 Outline Commercial Strategy and Workplan 2018 – 2022

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