



CABINET: 6th JULY 2018

OUTLINE COMMERCIAL STRATEGY AND WORKPLAN 2018-2022

REPORT OF DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of report

1. The purpose of this report is update the Cabinet on the County Councils' current trading activity and to seek approval of a new Commercial Strategy and Workplan to cover the period 2018-2022.

Recommendations

2. It is recommended that the Commercial Strategy and Workplan 2018-2022 be approved.

Reasons for Recommendation

3. A Commercial Strategy and Workplan is needed to build on the progress that has been made by Leicestershire Traded Services and to increase the pace of change to ensure that trading income makes an increasing and meaningful contribution to the Council's budget. This is particularly in relation to setting up alternative operating models to enable trading with the private sector or to establish joint ventures.

Timetable for Decisions (including Scrutiny)

4. The Scrutiny Commission considered the Outline Commercial Strategy and Workplan at its meeting on 6th June 2018 and welcomed and supported the proposed approach.
5. A work programme will be developed over the summer and be considered by the Commercial Strategy Board in September 2018.

Policy Framework and Previous Decisions

6. 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 for the past few years.
7. A Scrutiny Review Panel commenced a Review of Traded Services in June 2014, the findings of which were reported 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

Resource Implications

8. Leicestershire Traded Services generated a surplus of £1.8m in 2017/18, an increase of £900,000 from 2016/17 and significant progress towards its' MTFS target of a surplus of £3.2m by 2020. The ambition is to grow the surplus even further in order to reduce the current £13m gap in the MTFS without the need for service reductions.
9. 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 require an investment of £200,000. This investment will initially be funded from the Future Development ear-marked fund on the expectation that the additional surplus generated will be far greater.

Circulation under the Local Issues Alert Procedure

None

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PART B

Background

10. Given the scale of the financial challenges facing the Council it has, in recent years, had to adopt a more commercial approach.
11. As a result, Leicestershire Traded Services (LTS) was established in 2016 which is made up of catering services, property services, the music service and professional and business services including HR. Its customer base is predominantly Schools and Academies.
12. There have been some notable successes in the work undertaken so far by the Trading Unit, and also departments, such as:
 - The LTS surplus grew by c. £900,000 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, Cambridgeshire 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 online.
 - Significant work has been undertaken to fully understand costs and margins and to start creating profit and loss accounts for key commercial service areas. New financial processes have been introduced to record future sales, monitor progress against stretching targets and control spend better.
 - A programme of engagement and negotiations 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.
- East Midlands Shared Services (EMSS) has taken on the majority of Leicester City schools, and is at an advanced stage with health providers in Nottingham to establish a health service arm, It also has a joint venture arrangement with a private sector partner to review debt collection processes at other local authorities.

13. 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 therefore been developed.

Commercial Strategy

14. The Outline Commercial Strategy and Workplan is attached as an Appendix . 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.

The Council will 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

15. A Commercial Strategy Annual Report will be prepared and considered by the Cabinet and the Scrutiny Commission in June of each year. The Strategy and workplan will subsequently be updated as required.
16. Proposals relating to options for different models of service delivery, trading and joint ventures will be subject to the existing decision making protocols, including Cabinet approval where necessary.
17. 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.

Equality and Human Rights Implications

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

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%20Traded%20Services.pdf>

Appendix

Outline Commercial Strategy and Workplan 2018 – 2022

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