



SCRUTINY COMMISSION: 12TH JUNE 2019

ANNUAL REPORT ON THE COMMERCIAL STRATEGY

REPORT OF DIRECTOR OF CORPORATE RESOURCES

Purpose of report

1. The purpose of this report is to update the Commission on the performance of Leicestershire Traded Services, the progress with the development of a more commercial approach across the County Council and to seek the views of the Commission on the progress to date and future plans.

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 Medium Term Financial Strategy (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.
7. The Commission considered a report of the Director of Corporate Resources on 6th June 2018, which sought its views on the Outline Commercial Strategy and Workplan 2018-2022 as part of the consultation prior to the Strategy being considered by the Cabinet on 6th July 2018.
8. The Scrutiny Commission gave its strong support to the Commercial Strategy, recognising that traded services provided an income which protected frontline services. It was hoped that the Council would continue to identify new commercial opportunities.

9. A report to the Cabinet on 6th July 2018 was approved and it was resolved that an Annual Report on the Commercial Strategy be submitted to the Cabinet and the Scrutiny Commission each June.
10. The Cabinet noted that the Commercial Strategy and Workplan will build on the progress that has been made by Leicestershire Traded Services and increase the pace of change to ensure that trading income makes an increasing and meaningful contribution to the Council's budget. This relates in particular to the creation of alternative operating models to enable trading with the private sector or to establish joint ventures.

Review of last year's performance

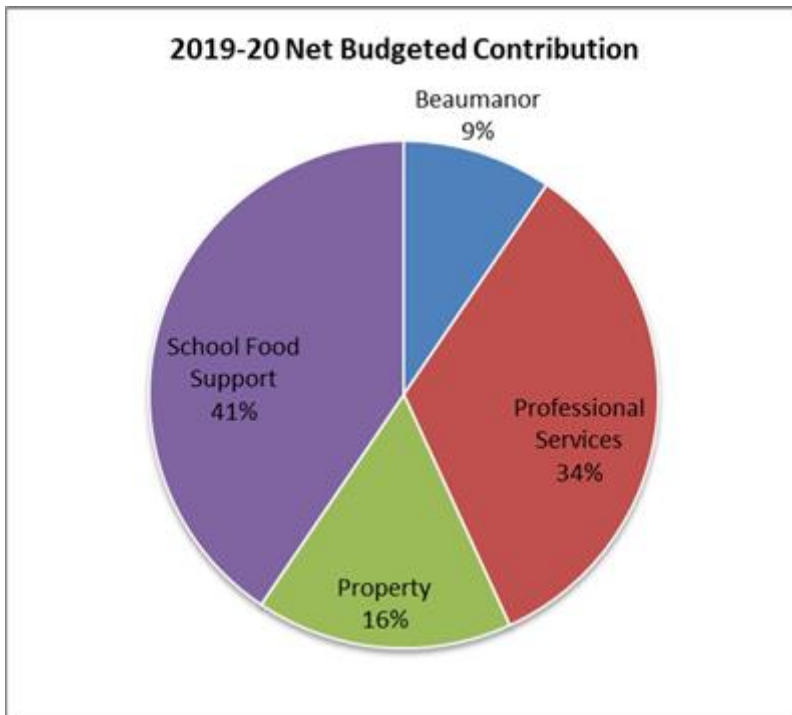
11. There are three themes to the Commercial Strategy: to embed commercial awareness, to enhance current commercial activity and to develop new models of service delivery.

Embedding Commercial Awareness

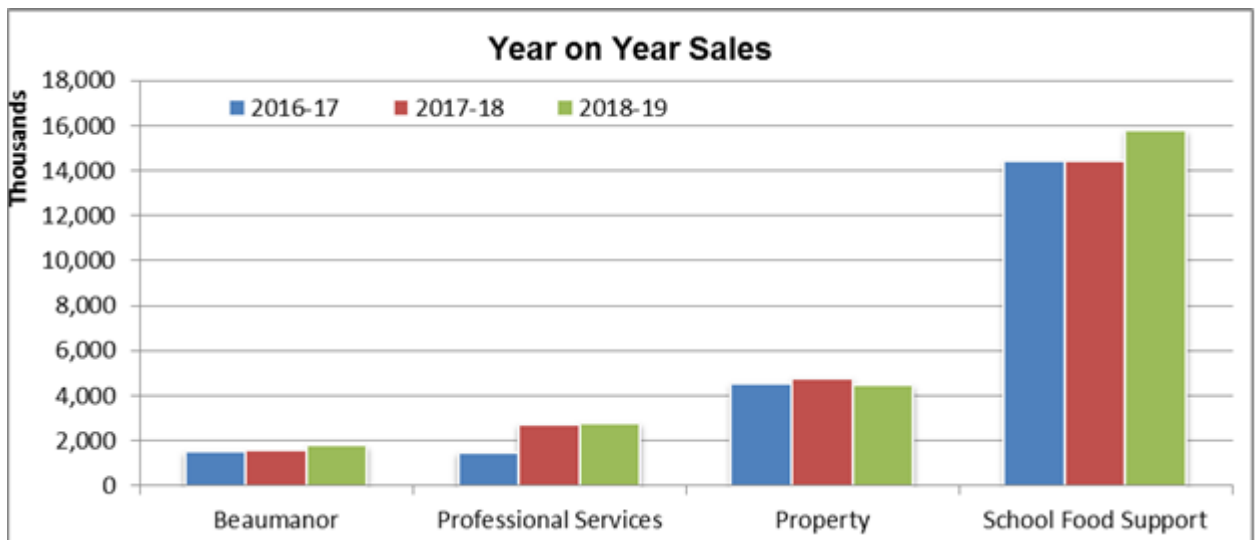
12. In terms of embedding commercial awareness, the strategy was launched in workshops that were held in August and September 2018 and were attended by 40 Senior Managers. A toolkit, which has been launched on the intranet, has been developed and bite size videos are currently being produced with Learning and Development. New commercial competencies have been drafted which will be included in all new job descriptions across the County Council.
13. Investment has been made in additional resources in Business Intelligence and Marketing to support the development of new commercial opportunities.
14. In addition a more commercial approach is now being taken to commissioning and procurement, with a new structure in place and a change in approach to contract management and supplier engagement.

Enhancing current commercial activity

15. In relation to enhancing current commercial activity, Leicestershire Traded Services made a surplus of £1.6m in the financial year 2018/19 which was short of the target by £0.4m. Sales in Sites Development were down (£0.2m short), and while income at Beaumanor Hall and Activity Park was up, additional costs resulted in a shortfall to budget of £0.2m. Staffing costs increased as a result of the weighting of the pay award and increase in the living wage which affected School Food significantly. These were partly offset by better than expected sales performance in School Food, HR and Health and Safety Trading, Soft Facilities Management and Traded Premises Officers. The make-up of the overall contribution by service area is shown below:



16. Whilst the overall contribution remained similar to the outturn of 2017/18, the growth and acquisition of new customers continued in most areas as can be seen below:



Overall sales increased by 5%, which is £1.5m. School Food has secured 34 new contracts, of which 17 started in the last financial year and an additional 17 will commence in September 2019. HR and Health and Safety increased sales significantly as did Beaumanor Hall and Traded Premises Officers.

17. Across Leicestershire Traded Services, officers are constantly looking to develop new products and diversify our customer base. Leicestershire Traded Services is now producing its own sandwich and deli range "Eat on the go" for Secondary Schools, County Hall and Beaumanor, it has developed new packages of products for schools, updated its service level agreements, introduced a consultancy offer in HR as well as supporting new ICT products in LEAMIS.

18. Leicestershire Traded Services is currently looking to introduce a new Customer Relationship Management system across all of its service offerings to provide better customer services to our customers and identify further opportunities. In addition, it is planning to introduce regular digital customer satisfaction surveys across all areas.
19. A digital marketing strategy has been developed over the past year, introducing new software and segmenting markets and audiences to ensure the right audiences are being reached. In addition, we the “Eat on the go” brand has been launched and Beaumanor Hall has been rebranded. Looking ahead there will be investment in new marketing strategies for Country Parks and Century Theatre as well as the Property functions and the new Beacon Hill Café.
20. Leicestershire Traded Services has been working with colleagues across the County Council to develop existing commercial activity, it is developing its service offering to schools, trading opportunities for the Business Intelligence function, Leicestershire Adult Learning Service and Highways Development. It is anticipated that specific proposals will be brought forward over the coming months.

Developing new models of service delivery

21. In terms of developing new models of service delivery, significant commercial support has been given to the establishment of the Children’s Innovation Partnership and the development of the Social Care Investment Programme which is being considered by the Adults and Communities Overview and Scrutiny Committee on 10th June 2019 and by Cabinet on the 25th June 2019.

Future Developments

22. There is no doubt that meeting the £2.4m target in 2019/20 will be a real challenge. A range of service developments and improvements are underway to help meet the target, detailed information is provided for each service in Appendix 1, and some of the key areas are highlighted below:
 - Developing new products and service offerings in LEAMIS, HR and developing the “Eat on the Go” brand;
 - New marketing strategies for Country Parks, Century Theatre and property functions;
 - Bringing together the management of Beaumanor Hall and Park into one single operation;
 - Opening of the new Beacon Hill Café in July 2019;
 - Investing in the most successful service areas to enable them to grow and exploring diversification into new markets;
 - Exploring new partnerships with other local authorities;
 - Implementation of the Social Care Accommodation Plan.

Summary

23. Leicestershire Traded Services continues to perform well in difficult trading conditions where the living wage cost pressures are having a detrimental impact on profitability. In addition, the financial pressure on schools is also a major factor. Even so there are

a range of new developments and opportunities being developed such as partnering with other authorities, expanding our product range and developing existing facilities.

Resource Implications

24. Leicestershire Traded Services contributed of £1.6m to the County Council in the financial year 2018/19 which was £0.4m below the £2m target. The MTFs contribution target for 2019/20 is £2.4m, an increase in contribution of £0.8 over the 2018/19 outturn. There have been significant increased sales across Leicestershire Traded Services, detailed delivery plans are in place and additional financial analysis is being undertaken to support the delivery of this increased contribution.

Timetable for Decisions

25. The Annual Commercial Strategy Report is also being considered by Cabinet on 25th June 2019 and the views expressed by the Scrutiny Commission will be reported to Cabinet.

Conclusions

26. This report is to update Scrutiny Committee on the progress being made by Leicestershire Traded Services and the commercial strategy and invite comments from members on the strategy.

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>

Outline Commercial Strategy and Workplan 2018-2022 – Scrutiny Commission 6 June

2018 <http://politics.leics.gov.uk/documents/s137869/Outline%20Commercial%20Strategy%20and%20Workplan%202018-22.pdf>

Outline Commercial Strategy and Workplan 2018-2022 – Cabinet 6 July 2018

<http://politics.leics.gov.uk/documents/s138870/Final%20-%20Commercial%20Cabinet%20Report.pdf>

Circulation under the Local Issues Alert Procedure

None

Equality and Human Rights Implications

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

Appendices

Appendix 1 - LTS review and outlook for 2019/20

Officer to Contact

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