



CABINET – 25th JUNE 2019

ANNUAL REPORT ON THE COMMERCIAL STRATEGY 2018 -2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to provide the Cabinet with a review of the performance of the County Council's Commercial Strategy since its approval in June 2018 and provide detail of the intended future plans to further develop the Council's commercial approach.

Recommendations

It is recommended that

- a) The performance against targets in the Commercial Strategy since June 2018 be noted;
- b) The future development of the Commercial Strategy as outlined in this report and the appended Leicestershire Traded Standards Review and Outlook for 2019/20 be welcomed.

Reasons for Recommendation

2. The Annual Report on the Commercial Strategy outlines the progress that has been made by the County Council (via the Leicestershire Traded Services) by introducing a more commercial approach to ensure that trading income makes an increasing and meaningful contribution to the Council's budget.

Timetable for Decisions (including Scrutiny)

3. The Scrutiny Commission considered the Annual Report on the Commercial Strategy on 12th June 2019 and a summary of its comments are set out in Part B of this report below.

Policy Framework and Previous Decisions

4. With the continued financial pressure on the Council the requirement to raise additional revenue has been specifically included in the County Council's Medium Term Financial Strategy (MTFS) for the past few years.
5. A Scrutiny Review Panel commenced a Review of Traded Services in June 2014, the findings of which were reported to the Cabinet on 19 November 2014. The Cabinet accepted the recommendations of the Panel and asked the Chief Executive to ensure that they were acted upon. These included further development of the Council's traded services, consolidation of the portfolio, and establishing a dedicated marketing resource.
6. At its meeting on the 6th July 2018, the Cabinet approved the Outline Commercial Strategy and Work Plan 2018-2022 and agreed that an Annual Report be submitted to the Cabinet and the Scrutiny Commission each June.
7. The Cabinet noted that the Commercial Strategy and Workplan would 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.

Resource Implications

8. Leicestershire Traded Services contributed £1.6m to the County Council in the financial year 2018/19, which was £0.4m below its £2m target (further detail is given at paragraph 19 below).
9. 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.

Circulation under the Local Issues Alert Procedure

10. None

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PART B

11. Given the scale of the financial challenges facing the Council it has, in recent years, had to adopt a more commercial approach.
12. 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.
13. 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 was approved in June 2018.
14. The Scrutiny Commission considered this annual report on the 12 June 2019 and welcomed the progress that is being made against the strategy particularly the gold standard award presented to the School Food Team from the Soil Association. They supported the approach that is being taken and proposed several areas for further marketing such as the Century Theatre and Bosworth Battlefield. They also suggested that it would be useful for future annual reports to include more information focused on the running costs of the assets as well as the sales figures.

Review of last year's performance

15. There are three themes to the Commercial Strategy 2018-2022:
 - to embed commercial awareness
 - to enhance current commercial activity
 - to develop new models of service delivery.

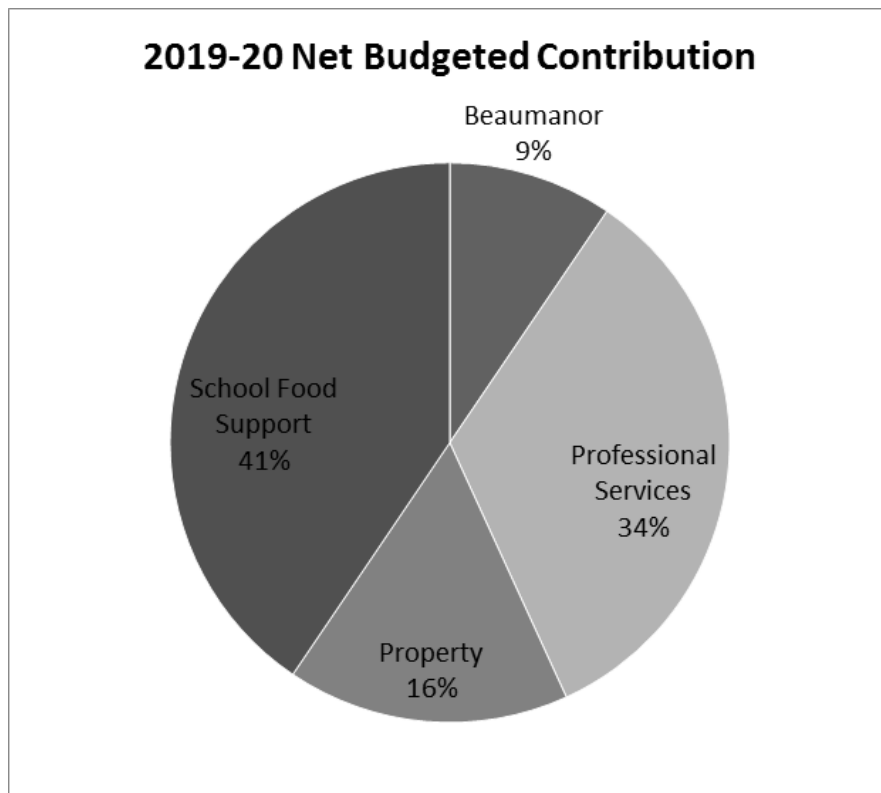
Embedding Commercial Awareness

16. The Strategy was launched at workshops that were held in August and September 2018 which were attended by 40 senior managers from across the Authority. A commercial toolkit, has been launched on the intranet and 'bitesize' videos are currently being produced with the Council's Learning and Development team to support managers in being more commercial. New commercial competencies have been drafted which will be included in all new job descriptions across the Authority.
17. Investment has been made in additional resources in Business Intelligence and Marketing to support the development of new commercial opportunities.

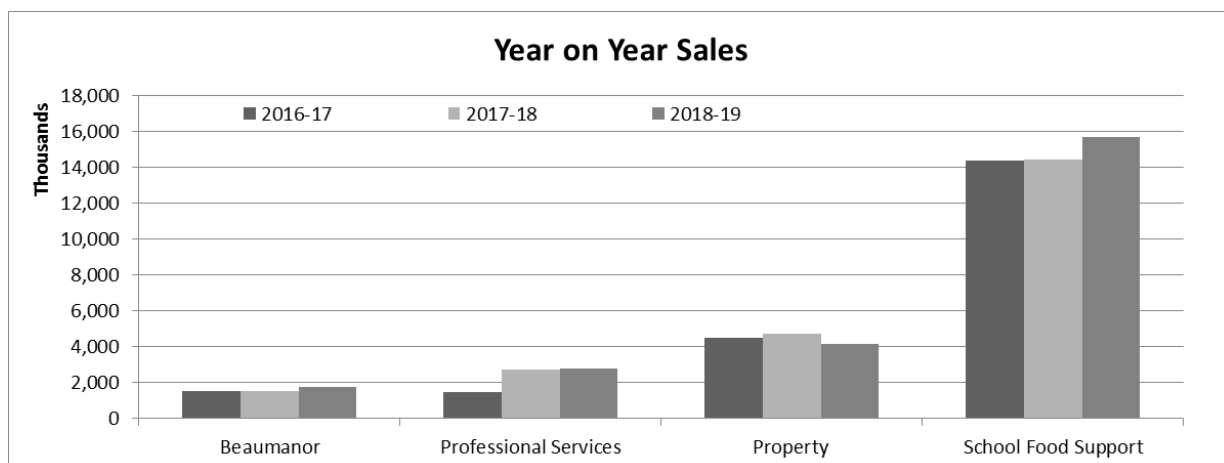
18. In addition, a more commercial approach is now being taken to commissioning and procurement, with a new staffing structure in place and a programme of change developed which will focus on data, engagement and culture.

Enhancing current commercial activity

19. 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. The shortfall was the result of sales in Sites Development being below target (£0.2m short), and while income at Beaumanor Hall and Activity Park was up, additional costs resulted in a shortfall to that budget of £0.2m. Other variations included an increase in staffing costs 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:



20. 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 equates to £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 services increased sales significantly as did the management of Beaumanor Hall and Traded Premises Officers.

21. Across Leicestershire Traded Services, officers are constantly looking to develop new products and diversify its 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 Hall. 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.
22. Leicestershire Traded Services is currently looking to introduce a new Customer Relationship Management system across all of its service offerings to bring together all the information it has on a customer in one place, provide better customer services and identify further opportunities. In addition, it is planning to introduce regular digital customer satisfaction surveys across all areas.
23. A digital marketing strategy has been developed over the past year, introducing new software and segmenting markets to ensure the right audiences are being reached. Beaumanor Hall has been rebranded, with new logos and images. Future developments include an investment in new marketing strategies for Country Parks and the Century Theatre as well as the Property functions such as Premises Officers and Sites Development and the new Beacon Hill Café.
24. Leicestershire Traded Services has been working with colleagues across the 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

25. 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 also being considered by the Cabinet at this meeting.

Future Developments

26. Meeting the £2.4m target in 2019/20 will be a significant challenge for the Authority. A range of service developments and improvements are underway to help meet the target, detailed information is provided for each service in the Appendix, and some of the key areas 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 Adult Social Care Accommodation Plan.
27. To increase the contribution made to the Council by commercial activity in line with the Commercial Strategy 2018-2022 the Council intends to increase its sales activity into different markets, develop new products and trading facilities, investigate partnerships with other Local Authorities, consider acquisitions and the use of a trading company.

Equality and Human Rights Implications

28. There are no equality or human rights implications arising directly from this report.

Background Papers

Outline Commercial Strategy and Workplan 2018-2022 – Cabinet 6 July 2018
<http://politics.leics.gov.uk/documents/s138870/Final%20-%20Commercial%20Cabinet%20Report.pdf>

Appendix

LTS review and outlook for 2019/20