



SCRUTINY COMMISSION: 9th JUNE 2021

COMMERCIAL STRATEGY ANNUAL UPDATE

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 during 2020/21 taking account of the impact that Covid 19 restrictions have had on these services. The report also seeks the views of the Commission on future plans for recovery and growth.

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 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.
7. The Commission considered a report of the Director of Corporate Resources on 6 June 2018, which sought its views on the Outline Commercial Strategy and Workplan 2018-2022. The Scrutiny Commission gave its strong support to the Commercial Strategy, recognising that traded services provided an income which protected frontline services. It hoped that the Council would continue to identify new commercial opportunities.

8. The Strategy was subsequently approved by the Cabinet on 6 July 2018 which further resolved that an Annual Report on performance against the Commercial Strategy should be submitted to the Cabinet and the Scrutiny Commission each June.
9. An annual report was presented to the Scrutiny Commission and the Cabinet in June 2019 when performance against targets was noted and future developments welcomed. Due to the Covid 19 pandemic an annual report was not presented during 2020. Instead, updates on the impact of the national and local lockdowns on Leicestershire Traded Services was included within the Council's wider Covid 19 impact, response and recovery reports both to the Commission and the Cabinet throughout the year.

2020/21 Activity and Performance

10. The past year has been extremely challenging for Leicestershire Traded Services (LTS) and trading activity has been severely affected by the Covid pandemic. Restrictions were imposed across the country to keep staff, customers and communities safe. These included 'stay at home' orders being issued by the Government which prevented all but essential travel, the closure of schools to all children except for children of key workers, and varying degrees of social distancing.
11. This led to significant reductions in income in most areas of LTS which was only partly offset by good cost control, support from the Government's Coronavirus Job Retention Scheme and the Sales, Fees and Charges Income Compensation Scheme.
12. The overall financial result for Leicestershire Traded Services in 2020/21 as shown in the table below, was a net spend of £39,000. This compares to a budget target of a net contribution of £1,918,000, which was set in February 2020 as part of the Council's Medium Term Financial Strategy agreed before the Covid pandemic began. As part of the long term approach to improve the profitability of LTS in line with the Commercial Strategy and Covid Recovery Plans, Action Plans were implemented during the pandemic to reshape specific business units within Catering and Hospitality. These had a one off redundancy cost of £100,000 and without this one-off cost, a net contribution of £61,000 was generated by LTS.

LTS Financial Performance 2020/21			
	Actual	Budget	
	(Surplus) / Cost	(Surplus) / Cost	Better / (worse)
	2020/21	2020/21	than budget
	£000	£000	£000
LTS	(61)	(1,918)	(1,857)
Restructuring costs	100	-	(100)
Total LTS	39	(1,918)	(1,957)

13. Across the trading units, Beaumanor Hall, cafes and the theatre closed during the year, with cafes reopening when possible to provide a takeaway only service. Leamis, HR, Health and Safety and the Music Service rapidly changed to online delivery to schools. This involved replacing face to face meetings with Teams meetings with Head Teachers and School staff to provide HR and other professional advice. The music service began online lessons to classes in schools when they returned, to individuals at home, and provided for online rehearsals and performances.
14. School food has had to adapt to schools opening and closing whilst continuing to support vulnerable children and the children of key workers. Meals in line with national nutritional standards were provided in schools for vulnerable pupils and a small number of food parcels provided at the start of the spring term when schools were not allowed to reopen and before the national voucher scheme was implemented. The service also set up and administrated the Free School Meal Voucher scheme through the school holidays. Property Services continued to operate.

Future plans for recovery and growth

15. Across LTS there will be a new focus on building all our businesses back up stronger and more sustainably. Some of the key areas of work planned for the coming year are set out below:
 - The implementation of revised operating models introduced in Beaumanor Hall, the cafes and the County Hall Food Court aimed at reducing costs and focussing on the most profitable activities. Opening hours have been reviewed and will be amended in line with footfall, seasons and events on an ongoing basis.
 - The growth of School Food services, building on the additional £1.2m worth of business recently secured in Luton.
 - Once the improvement works are completed at the Century Theatre this will be reopened and, combined with the new café, new packages of entertainment and dining developed.
 - Work will be undertaken with colleagues in Heritage to join up across various attractions to create more holistic visitor experiences and events and to develop new income streams. This will include holding events in Country Parks and the opening of cafes on summer evenings.
 - Finance and operations support will be reviewed with opportunities to automate and digitise back office services explored where it can be ensured these will improve our processes and systems where required.
 - In Peoples Services focus will continue to be given to the provision of a digital offer for both current and prospective customers, and new business via national frameworks will be sought, as will opportunities to diversify into other markets.

- Redefining the Central Print Service and increasing sales in Hard FM (construction and development services), compliance services and advice regarding building safety and Sites Development (minor building works, grounds maintenance and landscaping).
- The production of detailed operational Business Plans for all operating areas with detailed financial targets and clear operating parameters which will support control of costs and risks, as well as ensuring greater profitability. These will be monitored in a new Monthly Review process.
- Driving improvements in customer service including the introduction of regular digital customer satisfaction surveys across all areas and increased communication with customers.
- Continuing the digital first digital marketing strategy, introducing new software and segmenting markets and audiences to ensure we are reaching the right customers.
- The Service will continue to look for opportunities across the County Council in line with the Corporate Commercial Strategy 2018 - 2020, to support the delivery of the MTFS.

16. Further details of the activity over the past year and future plans are provided in the Appendix attached to this report.

Resource Implications

17. The overall financial result for Leicestershire Traded Services in 2020/21 is a net spend of £39,000 compared to a budget target of a net contribution of £1,918,000, which was set before the Covid pandemic.
18. The MTFS contribution target for 2021/22 is £1.5m. Whilst we have seen a start to the gradual lifting of the pandemic restrictions, they have remained in place in the early stages of 2021/22. There remains uncertainty about the timing of further changes to restrictions and a risk of new Covid variants emerging both of which could impact on the ability of LTS to deliver its target.

Timetable for Decisions

19. The Annual Commercial Strategy Report will be considered by the Cabinet at its meeting on 22nd June 2021. The views of the Scrutiny Commission will be reported to that meeting.

Background papers

Scrutiny Commission - 6 November 2013 - Traded Services

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=3605&Ver=4>

Scrutiny Commission - 5 November 2014 - Final Report of the Scrutiny Review Panel on Traded Services

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=3938&Ver=4>

Scrutiny Commission - 15 June 2016 - Update on Leicestershire Traded Services

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=4539&Ver=4>

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

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=5305&Ver=4>

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

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5412&Ver=4>

Scrutiny Commission - 12 June 2019 - Annual Commercial Strategy Report

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=5697&Ver=4>

Cabinet - 25 June 2019 - Annual Report on the Commercial Strategy 2018/22 –

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5604&Ver=4>

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 this report. If services change in the future EHRIA's will be undertaken as required.

Appendices

Appendix – LTS Review and Outlook 2021/22

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