



**CABINET – 22 JUNE 2021**

**ANNUAL REPORT OF THE COMMERCIAL STRATEGY**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**PART A**

**Purpose of the Report**

1. The purpose of this report is to update the Cabinet on the performance of the County Council's Commercial Strategy, the progress of the Authority's Traded Services recovery from the implications of the Covid-19 restrictions and provide detail of the intended future plans to further develop the Council's commercial approach.

**Recommendations**

2. It is recommended that
  - a) The performance against targets in the Commercial Strategy during 2020/21 be noted;
  - b) The future development of the Commercial Strategy as outlined in this report and the appended Leicestershire Traded Services Review and Outlook for 2021/22 be welcomed.

**Reasons for Recommendation**

3. 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)**

4. The Scrutiny Commission considered the Annual Report on the Commercial Strategy on 9 June 2021 and its comments will be shared with the Cabinet.

### **Policy Framework and Previous Decisions**

5. 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.
6. 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.
7. 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 be submitted to the Cabinet and the Scrutiny Commission each June.
8. 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 considered by the Cabinet throughout the year.

### **Resource Implications**

9. The overall financial result for Leicestershire Traded Services in 2020/21, 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 before the Covid pandemic began. As part of the long-term strategy to improve the profitability of Leicestershire Traded Services (LTS) as part of 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.
10. The MTFS contribution target for 2021/22 is £1.5m. Whilst recently there has been a gradual lifting of the pandemic restrictions, they 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.

### **Circulation under the Local Issues Alert Procedure**

11. None.

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## PART B

12. Given the scale of the financial challenges facing the Council it has, in recent years, had to adopt a more commercial approach.
13. 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.
14. To increase the pace of change and ensure that trading income makes a meaningful contribution to the Council's budget a step change in approach is required and an outline Commercial Strategy was approved in June 2018.

### Review of last year's performance

15. The past year has been extremely challenging for LTS and trading activity has been severely affected by the Covid pandemic. Restrictions were imposed across the country to keep workers, 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.
16. 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.
17. 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 before the Covid pandemic began. As part of the long-term strategy to improve the profitability of LTS as part of 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 (Surplus) / Cost 2020/21	Budget (Surplus) / Cost 2020/21	Better / (worse) than budget
	£000	£000	£000
LTS	(61)	(1,918)	(1,857)
Restructuring costs	100	-	(100)
<b>Total LTS</b>	<b>39</b>	<b>(1,918)</b>	<b>(1,957)</b>

18. 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 (Leicestershire Education Authority Management Information Service), HR, Health and Safety and the Music Service rapidly changed to online delivery to schools. This involved replacing face to face meetings with virtual 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 online rehearsals and performances. 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 were provided at the start of the spring term when schools were not allowed to reopen. These were subsequently replaced by the national voucher scheme. The service also established and administrated a Free School Meal Voucher scheme through the school holidays. Property Services continued to operate, providing additional support across the County Council estate as well as additional cleaning and alterations in schools.

#### **Future plans for recovery and growth**

19. Across LTS there will be a new focus on re-modelling the businesses to make them stronger and more sustainable. Some of the key areas of work planned for the coming year are set out below:
- i. 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.
  - ii. The growth of School Food, building on the additional £1.2m worth of business recently secured.
  - iii. 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.
  - iv. 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.
  - v. Finance and operations support to be reviewed with opportunities to automate and digitise back office services explored where it can be ensured these will improve processes and systems where required.
  - vi. 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.

- vii. Redefining the Central Print Service and increasing sales in Hard FM (construction and development services), compliance services and advice re building safety and Sites Development (minor building works, grounds maintenance and landscaping).
  - viii. The production of detailed operational Business Plans for all operating areas with detailed financial targets and clear operating parameters which will support and control costs and risks, as well as ensuring greater profitability. These will be monitored in a new Monthly Review process.
  - ix. Driving improvements in customer service including the introduction of regular digital customer satisfaction surveys across all areas and increased communication with customers.
  - x. Continuing the digital first digital marketing strategy, introducing new software and segmenting markets and audiences to ensure the right customers are reached.
  - xi. The Service will continue to look for opportunities across the County Council in line with the Corporate Commercial Strategy 2018 - 2022 to support the delivery of the MTFS.
20. Further details of the activity over the past year and future plans are provided in the appendix to this report.

### **Equality and Human Rights Implications**

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

### **Background Papers**

Report to the Scrutiny Commission – 9 June 2021 – Annual Report on the Commercial Strategy

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=6376&Ver=4>

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

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

### **Appendix**

LTS review and outlook for 2021/22