



SCRUTINY COMMISSION - 8th JUNE 2022

ANNUAL REPORT ON THE COMMERCIAL STRATEGY

REPORT OF DIRECTOR OF CORPORATE RESOURCES

Purpose of the report

1. The purpose of this report is to update the Scrutiny Commission on the performance of Leicestershire Traded Services during 2021/22 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, the Scrutiny Commission considered progress being made in developing the Council's traded services. It agreed that it was important for the Council to continue trading and to retain and build upon existing business, particularly in relation to schools.
3. A Scrutiny Review Panel commenced a Review of Traded Services in June 2014. The Cabinet accepted its recommendations and asked the Chief Executive to ensure these were acted upon. The Commission received an update on progress being made in delivering these recommendations in June 2016.
4. 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 since 17th February 2016.
5. On 6 June 2018, the Commission considered and gave its strong support to the Commercial Strategy and Workplan 2018-2022, recognising that traded services provided an income which protected frontline services. It hoped that the Council would continue to identify new commercial opportunities.
6. 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.

7. An annual report was presented to the Scrutiny Commission and the Cabinet in June 2021 when performance against targets was noted and future developments welcomed. The Commission requested that in future reports, to help Members understanding of how each service was performing, a breakdown of income across geographical locations be provided. This has been provided for school food but is less appropriate for other services, such as Human Resources or Property. Members also asked for a greater emphasis on profitability, rather than turn-over and for capital costs to be included in future reports.

2021/22 Activity and Performance

8. The 2021 report concluded by saying “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 Leicestershire Traded Services (LTS) to deliver its target.” The impact of successive waves of Covid in 2021 and 2022 continued to provide an extremely challenging backdrop for LTS and trading activity has been severely affected. Restrictions were imposed across the country to keep staff, customers and communities safe. Although school closures were not imposed this year, all hospitality was heavily restricted at various points in the year, along with varying degrees of social distancing. Even once services were permitted to reopen, consumer confidence was reduced and some services continued to see reduced demand.
9. Alongside the income challenges, costs rose significantly towards the end of the year, with particularly acute inflationary pressures in respect of foodstuffs and anything related to international gas and oil prices.
10. Staffing remained a serious challenge across much of the service, with the national picture of a difficulty recruiting to hospitality roles being replicated in Leicestershire. Coupled with high levels of sickness due to Covid, this necessitated the making of changes to the delivery of the school food service in early 2022 for a short period, with simplified menus that could be delivered with fewer staff. Staff should be recognised and applauded for their willingness often to work extra shifts or longer hours to support the delivery of services for the public.
11. The geographical spread of the school food service is well distributed across the County. Our hospitality offer is not so evenly spread, with our cafes and Beaumanor Hall being located in Charnwood, North West Leicestershire and Hinckley and Bosworth Districts.
12. This combination of rising costs and reduced income has led to significant reductions in margin and contribution in many 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.
13. The overall financial result for LTS in 2021/22 as shown in the table below, was a net cost of £0.7 million. This compares to a budget target of a net contribution

of £1.5 million, which was set in February 2021 as part of the Council's Medium Term Financial Strategy.

	Budget Target	Outturn	Variance
	£000	£000	£000
LTS Leisure & Hospitality	86	104	18
LTS Education Catering	-118	401	519
LTS Beaumanor	-323	179	502
LTS Professional Services	-462	-557	-95
Music Service	0	-10	-10
Country Parks	235	276	41
Forestry	-18	-11	7
Hard FM	556	631	75
Soft FM	-482	-429	53
Print	-68	66	134
LTS Infrastructure (excl unallocated challenge)	225	313	88
LTS Unallocated Challenge	-1,141	-232	909
Total Commercial	-1,509	731	2,240

14. Across the trading units, Beaumanor Hall, cafes and the Century Theatre closed during the year, with cafes reopening when possible, initially to provide a takeaway only service from April 2021. Beaumanor Hall reopened for school residential visits in May 2021. Leamis, HR and Health and Safety continued online delivery to schools where appropriate. Property Services continued to operate throughout the pandemic.
15. Whilst there were not widespread school closures in this year, the school food service has had to adapt to numbers of pupils receiving school meals being highly variable each day due to sickness and self-isolation. The service also continued to administer the Free School Meal Voucher scheme through the school holidays as part of the Household Support Fund schemes.

Future plans for recovery and growth

16. 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 embedding of revised operating models introduced in Beaumanor Hall, focussing on low-risk but high margin activities, such as weddings, conferences and hires.
 - Greater profitability in our cafés as a result of improved margin positions through improved cost of goods ratios and revised menus and prices.
 - Opening hours have been reviewed and will be amended in line with footfall, seasons and events on an ongoing basis.
 - Tendering for new opportunities in school food services, ensuring that we achieve the target margin position on all contracts.

- Revisions to existing school food contracts, where appropriate, to ensure that individual contracts remain profitable amidst rising food prices.
- Streamlining of back-office finance and administration support, with some elements moving to centralised finance teams.
- In Peoples Services we will diversify our offer into new markets for our Organisational Development support.
- 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.
- 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.

17. Further details of the activity over the past year, (which includes the additional information previously sought by the Commission), and future plans are provided in the Appendix attached to this report.

Commercial Strategy post-2022

18. The Commercial Strategy runs until 2022. Revision of the Strategy will, however, be delayed until 2023 so that the scale of post-Covid recovery within the service can be established. The revised Strategy will be brought to the Commission for comment as appropriate next year prior to approval being sought by the Cabinet.

Resource Implications

19. The overall financial result for LTS in 2021/22 is a net cost of £0.7m compared to a budget target of a net contribution of £1.5 million, an adverse variance of £2.2 million.
20. The MTFS contribution target for 2022/23 is £0.4 million. Whilst we have seen a robust return of business across most services, there remains uncertainty about new Covid variants emerging and inflationary pressures, both of which could impact on the ability of LTS to deliver its target.

Timetable for Decisions

21. The Annual Commercial Strategy Report will be considered by the Cabinet at its meeting on 21st June 2022. The views of the Scrutiny Commission will be reported to that meeting.

Equality and Human Rights Implications

22. 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.

Circulation under the Local Issues Alert Procedure

None

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 – 9 June 2021 – Annual Commercial Strategy Report

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=137&MID=6376>

Cabinet – 22 June 2021 – Annual Report of the Commercial Strategy

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MID=6444>

Officer to Contact

Richard Hunt, Head of Catering, Hospitality and Country Parks

richard.hunt@leics.gov.uk

Jayne Glasgow, Assistant Director – IT, Communications and Digital, Commercial and Customer Services

jayne.glasgow@leics.gov.uk

Appendices

Appendix – LTS Review and Outlook 2022/23

This page is intentionally left blank