

Traded Services Strategy 2023-2028

Introduction

The last Commercial Services Strategy was agreed by the Cabinet in 2018 and ran until 2023.

In that period there have been extensive changes to the environment in which we trade as a council. We significantly grew our income across most of our services throughout this period and at the start of the strategy we grew the contribution we make to support the cost of running council services.

However, the effects of the global pandemic on our services were significant, leading to many ceasing trading entirely for many months. For some, service levels have still not returned to pre-pandemic levels.

Added to this, the cost of living pressures which led to reductions in disposable income for households, along with very high food and wage inflation, meant that our margins and contributions were put under immense pressure from 2022 onwards.

This revised strategy refocuses our work, within this context, and the challenging financial position that the County Council finds itself in. The Traded Services Strategy sets out key strategic principles for how council services that trade should operate, as well strategic mechanisms for change. This is all underpinned by individual service plans (held elsewhere) that contain the detail of how we will achieve the strategic principles and the MTFs which contains the predicted financial contributions to be made by each service area.

What are commercially traded services within the context of Leicestershire County Council?

- Commercialism, for the purposes of this strategy, is defined as trading of services with external (and sometimes internal) customers. All trading with external customers should deliver a desired margin and therefore contribution to the council, reflecting the risk of trading and use of the Council's 'fixed costs'.
- Commercialism does not include internal charging for services where internal customers are obliged to use an internal LCC department e.g. Legal Services or People Services charging another department for services when they cannot go elsewhere for the provision. Commercial charging for profit is prohibited in constitution for internal charges.
- Furthermore, although all departments are encouraged to ensure full cost recovery by appropriate increases in fees and charges for statutory and non-statutory services where they are the monopoly provider e.g. road closure notices, this is not considered commercial for the purposes of this strategy.
- Many services generate income to recoup some of their costs. However, income generation that is not aware of its full costs and its overall contribution is not commercial under the terms of this strategy.
- The name of this strategy has been changed from Commercial Strategy to Traded Services Strategy to better reflect the importance of overall contribution and recovery of full costs; that our focus should be on external trading; and to reduce confusion with other council initiatives such as the Investing in Leicestershire Programme.

Mission and vision

To deliver a financial contribution to Leicestershire County Council through trading of high-quality services with third party organisations.

Some of our services

The portfolio of services that we trade are many and varied and include:

- LTS Catering – School Food Services. This offers school meals to over 200 schools in Leicestershire, Leicester and nationally.
- Beaumanor Hall – outdoor education centre, trading to the school, youth and corporate market, alongside a conference and wedding and events venue.
- Health, Safety and Wellbeing - we offer a range of Health, Safety & Wellbeing services to schools and academies across Leicestershire, Leicester City, Rutland and The Midlands
- Print – based at County Hall, design and print services in most popular formats.
- Soft FM – including cleaning, washroom services and house-keeping, window cleaning, Premises Officer support, security, grounds maintenance, play area inspection, waste disposals and recycling, pest control, furniture and logistics.
- Property – including building maintenance, emergency repairs, electrical and mechanical engineers, ground working and fencing, regulatory compliance (asbestos, legionella, fire risk, electrical surveys), building inspection and condition surveys, architects, surveyors and design teams.
- Professional Business Services – LEAMIS – support with schools with management information systems across the whole school, including support for staff, telephone and online support services on all the leading MIS products and other ICT issues.
- HR Services – we offer advice and support to a variety of sectors including Academies, Schools, Borough and Parish councils, voluntary sector and charitable organisations.

Strategic principles

These set out key criteria against which any commercial enterprise within LCC can be measured.

They are not prescriptive as to how commercialism should be delivered, this is contained within individual service plans, but they do set out the framework within which we deliver traded services.



Financial resilience

All services should be able to demonstrate that they are making a true financial contribution to LCC. All income and costs should be understood and planned over the MTFS period to ensure services are resilient.

Ethical and transparent trading

LTS is different from our competitors in the private sector in that all contribution goes into maintaining key public services. Our customers rightly expect ethical and transparent behaviour from us. This could include transparency in charging models and margin position, as well as helping customers to find the right product for them, even if this is not as financially advantageous for LCC.

In all our trading we should be guided by the values of Leicestershire County Council.

Expertise

LCC should only trade in areas where it has an existing expertise. There is good evidence of local authorities moving to trade in areas in which they have little or no existing knowledge of the sector and no natural competitive advantage. We should only set up new business in areas closely linked to services that we either already trade and we have determined that we could trade at a good margin and with little risk.

Mainstreaming commercialism

There are examples of commercial best practice right across LCC and development of these ideas should be promoted and encouraged. No one department or area should 'own' all traded services or 'own' all the responsibility for being commercial – all parts of the council have a part to play in making sure we are as efficient as possible and maximise income as much as possible.

LTS will offer advice and support to other departments on maximising their commercial work, alongside support from the Transformation Unit. Any new business must come before a traded services board for approval before being further developed.

Growth and retrenchment

We will continue to seek new business opportunities, although acknowledge that these may increasingly be out of county.

Any new business will always be taken at an acceptable contribution rate to LCC, with assumptions made about inflation over the strategy period and factored into any bid. All new business must be an at acceptable risk/reward basis.

Any existing business that is not managing an acceptable contribution rate should be rapidly reformed within the strategy period, or LCC should divest itself of the business. LCC may also seek to exit currently performing commercial ventures if the long-term forecast is not sound, or commercial trading is affecting the performance of core LCC services.

Brand

Services within LCC can trade using whatever brand speaks most appropriately to our customers. Sometimes this might be the main LCC brand, other times we will use the LTS branding. The Traded Services Strategy does not seek to impose a centralised model of how we talk to our customers on our services.

External trading should not distract from the core business of the council

At all times we should be careful to ensure that core services are not impacted negatively by external trading. LCC has a responsibility, first and foremost, to deliver statutory services to our residents and this will always take priority over external trading.

However, we should also be aware that there are also occasions in which external trading may enhance our provision of core services, as it allows us greater economies of scale in delivery, or allows us to attract the best talent.

Strategic mechanisms for change within traded services

Whilst the strategy does not seek to be prescriptive about how service should be delivered, within the framework of the Strategic Principles, we acknowledge that there are a number of key changes around how we collectively work that need to be made. These strategic mechanisms for change are shared within the portfolio of traded services and managed through the Traded Services board.

Account management

We will create a system for account management, allowing us to see at a glance which services are trading with which customers. This will ensure that we talk to our customers in a timely and joined-up manner, sharing intelligence between the different traded services.

Data

Across many of our services, understanding and use of data is poor. This is changing slowly, but must remain a priority within the strategy period. Some services, such as LTS Catering, are starting to reap the benefits of better access to data, but this approach needs to be replicated across all Traded Services.

Shared understanding of acceptable margin position

Greater understanding of finances and financial resilience has already been noted as a Strategic Principle within this strategy. We will create shared targets around margin position, ensuring that no

service is trading at a loss and that all services are meeting minimum contribution levels, that will ensure that they cover all of their hidden costs.

We will also develop a shared route to approval of new business and tenders, ensuring that the appropriate levels of scrutiny are applied to new bids, by the right departments.

Shared resources

By the end of the strategy period, we will have a bank of shared resources allowing all services to work more effectively. These could include model contracts and templates, shared tender documents, terms and conditions and brand guidelines.

New product development

New products, or services wishing to trade for the first time will be supported by the Traded Services board, which will comprise representatives from key traded services, as well as finance and the Transformation Unit. As all external trading has a financial and reputational/brand element, ownership of all traded activity is with the Corporate Resources departmental management team.

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