

Review of [Commercial Strategy 2018-2022](#)

The Commercial Strategy ran from 2018-2022. Due to the effects of the pandemic we extended the strategy for a further year to allow us to better understand the shape of the LTS services post-pandemic.

Over the period of the strategy, there have been some notable successes that have laid the groundwork for what we hope to be a more stable and mature service in the future. We made significant inroads in making sure that the whole organisation was engaged and prepared for greater commerciality in the future, launching many new products and winning a large number of new contracts, both in Leicestershire and around the country.

Our services won numerous awards, including Learning Outside the Classroom and a coveted Gold Food For Life accolade.

However, the financial performance of the strategy is clearly below where we had anticipated. The target was to increase contribution to £2m by 2020 and at no point in the strategy period was this achieved. The pandemic had a profound effect on the service and income was severely hit in almost all areas of our traded services. This weakness was then compounded by post-pandemic inflation in good and materials, which put further pressure on what was already for some of our services tight margins.

Our staff are key to the success of Leicestershire Traded Services and over 1,000 individuals deliver our services in Leicestershire and beyond. Staffing is the largest cost of our services and over the period of this strategy we have seen average pay increases of over 5%, particularly for staff on lower grades. Again, this has eroded our margins as we have not wanted to pass on the full cost to our customers.

Commercial Strategy vision:

'The Council has an ambition to be a major and profitable provider of services locally and nationally, to both the public and private sectors. Surpluses will be used to offset reductions in government funding and reinvested in local front-line services to meet the needs of local people and businesses in Leicestershire. In doing so it will invest to ensure it has the right capacity and capability and commercial culture that is cost and risk conscious, customer focused and innovative.'

Progress on key deliverables

The strategy was structured under three main headings, with the original goals shown in bold type, followed by a brief summary of achievements to date.

Embedding Commercial Awareness and Skills

- **Create a light touch online tool kit for managers to use when reviewing services, in the development of all outline and full Business Cases and to embed commercial reviews into the work of the Transformation Unit through the Strategic Challenge Programme**
 - An online toolkit is available to all LCC staff via Sharepoint. It sets out how to take a commercial idea from concept, through to outline business plan, developed detailed business plan, initiation of new idea and review.
- **Develop a communications plan to support the strategy and raise awareness across the whole organisation.**
 - A dedicated marketing and communications resource was added to the service in 2018/19 and supports all areas of Leicestershire Traded Services.

- **Create a suite of practical workshops for managers developed and delivered by LTS staff and based on experience in the County Council. They will cover finance, understanding markets, option appraisals, performance frameworks and sales and marketing**
 - Workshops were run at the launch of LTS, although this element was delayed as a result of the covid pandemic.
- **Launch the strategy at a future senior managers forum.**
 - 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.
- **Add commercial competencies into the new Leadership Framework and other relevant people related policies.**
 - New commercial competencies are now included in all job descriptions, varied according to the level of role.

Enhancing current trading activities

- **Establish a detailed understanding of costs, third party suppliers, unit costs, income, reporting and controls.**
 - Success in this area has been patchy, with some services undertaking better deep dives into their cost model than others.
- **Develop a new target operating model, digital strategy, marketing strategy, reporting and performance management processes and a delivery plan.**
 - These elements are contained within individual service plans
- **Undertake market analysis, benchmarking, analysis of other service delivery models, potential partners and options appraisals.**
 - Over the strategy period we opened new catering operations at Beacon Hill and Colliery Café within the new Snibston Colliery Park. We also made significant changes to our operations within Leamis, the School Food Service and Beaumanor Hall.
- **We will pilot this approach in Highways Development Work & Services to Schools and then develop a programme of work from the services listed below through a 'Dragons Den' process to identify the areas with most potential.**
 - This work did not take place.

Developing new models of service delivery

- **There are a number of potential areas where there may be both financial and non-financial advantages gained by forming different trading vehicles, joint ventures or partnerships or insourcing some services. In discussions with Chief Officers a number of potential areas for examination have been identified.**
- **Our aim is to maximise the advantages of developing new models of service delivery. We will do this by supporting departments in researching and developing new models in Highways development work, Reablement and Residential Care and the Children's Services Partnership.**
 - 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.

In addition, the strategy had some sub-goals around delivery and monitoring of the strategy:

- **We will create a small Commercial Development Team which will work alongside departments and the Transformation Unit to deliver programmes of work.**
 - A small core teams sits at the heart of LTS, offering support to other departments, data analysis and performance information, as well as administrative and financial support.
- **We will create a Commercial Delivery Board to oversee the Councils' commercial activity and monitor the delivery of this strategy.**
 - A commercial board was not created during the last strategy period and we have proposed an alternative governance structure as part of the strategy from 2023.
- **We will produce a Commercial Strategy Annual Report which will be considered by Cabinet and Scrutiny in June and subsequently update the Strategy as required.**
 - Annual reports were delivered in 2019, 2021 and 2022. The report in 2020 was delivered as part of a wider finance update because of the pandemic.
 - 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>
 - 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>
 - Scrutiny Commission - 8 June 2022 – Annual Report on the Commercial Strategy <https://politics.leics.gov.uk/ieListDocuments.aspx?CId=137&MID=6870>
 - Cabinet – 24 June 2022 – Annual Report of the Commercial Strategy <https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MID=6775>

Review of individual service areas 2018-2023

LTS Catering – School Food

There has been extensive growth in LTS Catering over this period, with new contracts in Leicester City, Derbyshire, Cambridgeshire, Birmingham and Luton. We introduced profit share and classroom selection facilities for our schools to increase uptake and retention. A large number of our MAT customers have been putting their catering services out to tender and we anticipate that this trend will continue.

We are also very proud to have achieved Gold Food for Life status with the Soil Association and are one of the few school food services to have achieved this accolade. Our teams were awarded the LACA Training Award in 2019 for their work supporting workforce development and apprenticeships.

The team all stepped up to assist in supporting schools and key workers during the pandemic and provided food boxes for shielding residents.

Our biggest challenge is around rising staff costs as a result of increases in the minimum wage and the local government pay award. This is adding around 10% of costs per year to our business, whilst government rates for Universal Infant Free School meals have risen by around 1-2% per annum. High

levels of food inflation in 2022/23 have also put enormous pressure on our margin position. Without a new contractual relationship with schools, the cost rises will not be manageable in the long term.

LEAMIS

Over this period, the service grew its offer as we introduced more varied packages for schools at bronze, silver and gold level for their IT support.

The team also gained accreditation in all of the main MIS packages, to allow future diversification of the service.

MATs became an increasing challenge to LEAMIS, as they often create in house capacity around MIS and so are no longer needing our services.

Cafés and Food Court

Beacon Hill Café and Colliery Café at Snibston opened in this period on two of our destination country parks.

The café at Beacon Hill has developed an excellent reputation for food and service and makes a reliable contribution to the county council each year.

Now that we have got the facility at Snibston established, we have transitioned it to a private sector operator to drive further development in the café. We are delighted to be working with Grounds who have taken over the operation of the café, whilst already operating an outlet at Hick's Lodge.

Our third café - the Tith Barn at Bosworth Battlefield – continues to trade very strongly, with an improving position.

All cafes were closed during the pandemic and, once permitted to reopen, had to manage exceptionally high levels of footfall. Food price rises continue to be a significant challenge for all of our catering outlets and put continued pressure on margins.

The Food Court at County Hall continues to be a much valued asset for council employees, tenants and visitors. The Food Court continued to trade throughout the pandemic for key workers in County Hall, although the Restaurant was closed and has not reopened post-pandemic.

Century Theatre

The Century Theatre transferred into LTS in 2018 and we have worked very hard in the intervening period to reassess the programme offered in order to make it relevant to the local audience in Coalville and northwest Leicestershire.

The pandemic extensively affected the Century Theatre, although we benefitted from upgraded lighting and ventilation funded by the Arts Council Cultural Recovery Grant. It also allowed us to invest in an outdoor stage and set up a new Century Theatre Academy for young people. Post-pandemic recovery for the whole theatre sector has been very slow and this was the case for the Century Theatre.

The Theatre celebrated its 60th anniversary in 2022 and was removed from the 'Theatres at Risk' list in early 2023.

Beaumanor Hall and Park

In this period, we restructured the operations at Beaumanor to create efficiencies and improvements in service delivery.

Pre-pandemic, volumes into the park had risen by 10%, although the entire operation was closed as a result of the pandemic. Recovery in the outdoor activity and school trip market has been slower than in other areas and there is still weakness in the market into 2022. However, the outlook is more promising, with more schools returning and new products coming on stream.

Again, Beaumanor Hall was very affected by the pandemic and closed for a large period, with staff reassigned to other roles. Operations within the Hall were significantly changed post-pandemic with a greater focus on external and internal hires, rather than delivery of significant numbers of in-house events. This has led to greatly improved profit margins. A new focus on profitability for the Hall has started, following reviews by external consultants into the commercial profitability of the site.

Country Parks

A new Country Parks and Open Spaces Strategy commenced in 2020. This set out a new, more commercial approach to our parks. During the Commercial Strategy period we opened new cafes at Beacon Hill and Snibston Colliery Park, along with a revamped park at Snibston. This included 4km of mountain bike trail and a new play area and pump track.

Visitor numbers have increased significantly during the plan period, with some sites, such as Market Bosworth Country Park seeing doubled visitor numbers since 2017 and Watermead seeing a rise of nearly 50%. Visitor levels during the pandemic were higher than ever and presented significant challenges for the rangers.

The commercial performance of the service was also bolstered by new catering concessions on our parks, as well as grant funding from British Cycling, Severn Trent Community Fund and others, along with Countryside Stewardship funding.

Operational Property

Soft FM Contract Management has consistently increased its outturn over the last 5 years, recent successes including re-securing the Leicestershire Constabulary Grounds Contract, Melton Borough Council Security and Grounds Contracts and a commitment from Northwest Leicestershire District to join into a new contractual cleaning arrangement until 2029. Issues with sites further afield include profitability of Stratford District and quality of service delivery at Litchfield House although these are being addressed.

Soft FM Sport performance has remained static over the course of the last 5 years, but capital funding secured for a new MUGA surface and a restructured price schedule for 2023 should improve performance moving forward.

The Furniture and Logistics team's financial performance has improved through 17/18 to 20/21 but activity was heavily impacted in 21/22 because of the effects of the pandemic. Activity in 22/23 is consistent with the previous year and there are signs of increased demand towards the end of this financial year in this area which is being tempered slightly by increases to pay and charges for the service.

The Traded Premises team's financial performance improved through 17/18 to 20/21 but was also impacted in 21/22 due to the Covid pandemic. The performance in 22/23 is consistent with the previous year but significant demand has been seen in this area recently from Academies and schools and if recruitment challenges and levels can be increased, this will lead to increased contribution from the service.

Central Print's financial performance has generally remained static over the last 5 years apart from a downturn in 20/21 & 21/22 due to the impact of the pandemic which has not returned to pre pandemic levels. Whilst traded opportunities were reduced, the team's resources were directed to supporting Covid related initiatives across the organisation and County, including provision of signage and PPE distribution.

The service is currently going through a reorganisation which will reduce staffing levels, optimise sub-contracting, and support improved ways of working.

Hard FM's performance has strong links to capital projects, a review of the project and service fees has taken place and fees are being charged on a regular basis. Figures for 22/23 show Hard FM achieving the outturn of -£124k and would exceed this target by another £40k if fee recharges to the SCIP project are processed on time.

The Site Development Service has continued to achieve contributions each year, although it has also been heavily impacted by Covid at the end of 2019/20 and onwards through 2022. The pipeline of new work and quotations has now started to increase in 2022/23 following proactive visits to potential clients and schools to generate new business. The team has recently addressed staffing resource issues and attracted new team members. This will ensure they are on a sound footing moving forward to deliver the healthy pipeline of new projects. Contributions continue to increase in 22/23.

The Site Maintenance & Adaptations Service is an internal service provided by OPS to A&C and has made ongoing efficiency savings each year since it was taken over, including a reduction in staff and vehicle resources whilst maintaining responsive service delivery.

The Forestry team undertake management and surveying services to internal and external clients, "Highways" being the main internal client. The budget and contribution figures, mask the true contribution the service makes from external trading. A new SLA with Environment and Transport is being progressed so that the recovery of the full costs of managing the highway tree assets can be realised going forward and the true contribution from traded activity can be recognised. The team are also responsible for driving delivery of the pledge to plant 700,000 trees in Leicestershire, with 248,737 planted to date.

People Services

The LTS HR team have continued to generate a profit although this has continued to reduce over time due to the academisation programme. We expect this to be a continued trend with all maintained schools needing to join an academy within the next few years. With the reputation the

team has for its excellence in service delivery, it is hoped to be able to grow and develop the business beyond the education sector. In 2022-2023 income was generated by providing services to another County Council and it is being flexible, agile and able that places the team in a good position to continue to develop the consultancy part of its practice.

We commenced a traded Learning and Development service to explore if there were any market opportunities to general income from this area. Although this is still in its development, the Learning and Development team have generated income for the Council mainly through the provision of Mental Health First Aid Training. It is hoped to continue to build on this.

As with the LTS HR team some traded Health and Safety business has been lost but the team have still managed to generate an income over its target. New business has also been gained, largely through word of mouth.

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