

**CABINET – 18 NOVEMBER 2025****ANNUAL REPORT OF THE TRADED SERVICES STRATEGY****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****PART A****Purpose of the Report**

1. The purpose of this report is to advise the Cabinet regarding the performance of the County Council's Traded Services Strategy, which sets out the performance of the Council's traded services, known as Leicestershire Traded Services (LTS).
2. The report also provides an update on the progress on exiting the school food business and engagement over the future of Beaumanor.

Recommendations

3. It is recommended that:
 - a) The performance against targets in the Traded Services Strategy during 2024/25 be noted;
 - b) The future developments as outlined in this report and Outlook for 2025/26 be welcomed;
 - c) The current status of the programme to exit the school food service be noted;
 - d) The current status of the engagement process for the future of Beaumanor be noted.

Reasons for Recommendation

4. The Annual Report on the Traded Services Strategy outlines the progress that has been made by the County Council (via the Leicestershire Traded Services).
5. The changes to the school food service and engagement programme for Beaumanor were decisions taken by the Cabinet at its meeting in July 2025.

Timetable for Decisions (including Scrutiny)

6. The Scrutiny Commission considered the Annual Report on the Traded Services Strategy on 10 November 2025 and its comments will be reported to the Cabinet.

Policy Framework and Previous Decisions

7. 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.
8. The Traded Services Strategy was approved by the Cabinet in 2023 which further resolved that an Annual Report on performance against the Traded Services Strategy be submitted to the Scrutiny Commission.
9. The Scrutiny Commission continues to receive regular reports on Traded Services performance, most recently in September 2024. At that meeting it was suggested that further consideration was given to the operation of Beaumanor Hall and the School Food Service. The Commission had a workshop event in November 2024 for this purpose and this was followed in March 2025 with a further report on Traded Services. The views of the Commission arising from this meeting were reported to the Cabinet in July 2025.
10. The Cabinet, on 15 July 2025, considered a report on the future of Beaumanor Hall and Park and agreed to commence engagement on options to improve its financial performance. Also at that meeting the Cabinet authorised the Director of Corporate Resources to take the necessary action to cease the Traded Services' school catering offer with effect from the end of the 2025/2026 academic year.

Resource Implications

11. The overall financial result for Leicestershire Traded Services in 2024/25 is a net contribution of £243,000 compared to a budget target of a net cost of £7,000, a positive variance of £250,000. This compares to a net cost of £1.077m in 2023/24.
12. The budget target for 2025/26 is a net contribution of £756,000. The current forecast position at period 6 is a contribution of £333,000, a budgeted overspend of £423,000.
13. The budget target for 2025/26 has been revised to the lower forecasted figure as a reflection of continuing weakness within the school food service as it winds down towards closure at the end of the academic year. This will be resolved within the MTFS process. In a number of other key service areas, such as professional services, business growth targets will not be met, as the market with schools is softening due to school budgetary constraints and academisation. Beaumanor continues to show weakness and variance from budget target, as highlighted in the report to the Cabinet in July 2025. Whilst the engagement process is underway, the turnaround will not be immediate.

The MTFS will need to ensure that the budget reflect as-is costs until the improvement plan has been implemented.

Circulation under the Local Issues Alert Procedure

14. None.

Officers to Contact

Declan Keegan, Director of Corporate Resources

Telephone: 0116 305 6199

Email: declan.keegan@leics.gov.uk

Richard Hunt, Head of Catering, Hospitality and Country Parks.

Telephone: 0116 305 9293

Email: richard.hunt@leics.gov.uk

PART B**Review of Performance for 2024/25**

15. Overall, the performance of LTS exceeded the budget target by £250,000, with a contribution of £243,000. Particularly notable were improvements to budget within the School Food Service, Professional Services and Property Services. Performance was less strong at Beaumanor and the Century Theatre, with both services missing their budget targets.
16. Whilst this year saw many services exceeding their financial targets, the outturn position of some services is more muted than previous years, as shown in the table below, driven by reduced customer numbers leading to lower income.
17. Retendering of services by Multi Academy Trusts (MATs) remains a major risk to all traded services, with aggressive pricing by competitors and some insourcing leading to several contracts being lost. Winning contracts back from the private sector is difficult as the additional costs of local government employment terms and conditions make the Council's pricing uncompetitive.
18. The overall financial results for LTS in 2024/25 are shown in the table below. All relevant costs have been included in the performance reporting.
19. As in previous years, there was no capital expenditure incurred in any of these areas.

<u>Service</u>	<u>Budget Target</u>	<u>Outturn</u>	<u>Over/</u> <u>(Under)</u> <u>Spend</u>
	£000	£000	£000
LTS Education Catering	485	329	(156)
LTS Beaumanor	386	459	73
LTS Professional Services (LEAMIS (School IT and Financial Support), HR, Health and Safety)	(203)	(271)	(68)
Cafés	(36)	(39)	(3)
Century Theatre	67	94	27
Hard Facilities Management	(276)	(403)	(127)
Soft Facilities Management	(340)	(334)	6
Print	(76)	(78)	(2)
TOTAL	7	(243)	(250)

School Food Performance and MTFS Position 2025/26

20. The School Food Service ended 2024/25 with a loss of £329,000, a significantly improved position from the loss of £1.9m in the previous financial year and shows the impact of the turnaround plan that had been put in place.

21. This improved position was achieved mainly through the full-year impact of the new financial deals with all customers to deliver the required margin being realised.
22. This meant that although the number of overall customers decreased, income into the service remained static. Five sites were lost through MATs going out to tender, as part of routine re-procurement of major contracts, and then a further nine sites that were part of larger MATs moved to streamline and rationalise their catering by moving from LTS to the caterer used by the majority of schools in the MAT.
23. The service acquired a large number of contracts in Leicester City, after the closure of City Catering, successfully mobilising 9 sites after the February half-term holiday, implementing a full training and induction plan with staff moving to the County Council's employment.
24. Significant challenges continued with staff cost inflation of 5.8% (driven by national living wage rises) and food inflation of 3.4% in the year to April 2025.
25. Regular operational audits are undertaken by the Council's Food Standards auditor and 65 out of 71 sites achieved the highest - five star - rating. Local environmental health teams also inspect the sites and of 29 inspections, 28 were rated four or five star.
26. A three-week rotation menu is now offered, with five daily options, as standard: one of the most flexible standard menus on offer in the UK. The menu changes in line with the seasons. "Food for Life" (a Soil Association initiative) Bronze standard food continues to be offered.
27. The service relaunched the marketing calendar of special themed meals to run alongside the new menu, with one special menu each month, designed to increase uptake and add variety to the regular menu.
28. LTS ran a highly successful Junior Chef competition which saw over 90 children submit an entry form. Following 9 heats, with 43 pupils, a winner from each went forward to the final at Loughborough College. The winning dish was cooked at the winning school for all staff and pupils, and the winner served the dish to all of her school.
29. Following feedback from the Scrutiny Commission, arising from its meeting in March 2025, a report on the School Food Service was considered by the Cabinet on 15 July 2025. At this meeting the Cabinet considered the current and likely medium term performance of the School Food Service and concluded that there were high risks around future sustainability of the service. Accordingly, the Cabinet resolved to exit the School Food Service at the end of the academic year 2025/26.
30. Staff and customers have since been informed: customers are being supported as necessary to find new catering providers and it is expected that the vast majority of staff will transfer to the new catering provider under TUPE

protections. LTS, working in partnership with ESPO, have offered primary schools a route to market via a group procurement, to simplify the process as much as possible. 26 schools have taken up this offer.

31. The latest forecast for School Food shows a £41,000 revenue contribution compared to a budgeted expectation of a £298,000. Whilst this is an overspend against budget of £257,000, it does mean that the service is forecast to move into a contribution position for the first time since the COVID pandemic. This a £370,000 improvement on the net loss suffered in 2024/25 of £329,000.

Beaumanor Hall and Park Performance and MTFS Position 2025/26

32. The 2024/25 position showed a net loss of £459,000 after operating costs in other budgets not directly managed by the service are considered. This produced a budget overspend of £73,000, the reasons for which are detailed below.
33. To ensure best value for the authority, some operating costs, such as maintenance, are centralised across its corporate portfolio. These below the line costs for Beaumanor relate to building maintenance, insurance, marketing, grounds maintenance etc.
34. Beaumanor Hall's income target was £907,000 and its actual performance was £788,000. This was a marked improvement on the previous year's turnover of £691,000 but shows there is still a need for continued focus on sales and new revenue streams. Whilst a large proportion of the uplift came from add-on packages to wedding ceremonies onsite, this was not as popular as had originally been budgeted.
35. Income in Beaumanor Park (primarily used for outdoor education) was £987,000, as opposed to a budget of £1.095m. There has been a year on year drop in the number of bookings coming to the site, as well as the number of children attending, which matches falling school rolls.
36. The Hall was temporarily closed in April 2025 when the chimneys were discovered to be potentially dangerous. The entire building had to be evacuated and staff relocated to temporary accommodation. Within a few weeks, the Council had mobilised temporary marquees in the grounds and was able to continue to trade to the public. However, the closure of the Hall lasted until June and the loss of income is estimated at around £108,000.
37. Energy costs are extremely high at Beaumanor and a project throughout this period focussed on better managing consumption. This has seen electricity usage decrease by 6% compared to 2023/24 levels.
38. The latest forecast for Beaumanor Hall and Park shows a net loss of £561,000 compared to a budgeted cost of £399,000, resulting in an overspend of £162,000.

39. At its meeting in July 2025 the Cabinet agreed the commencement of an engagement process with stakeholders to establish options to improve the future financial performance of Beaumanor.
40. Public engagement consisted of an online survey for residents which ran during August and September. A total of 888 responses were received, which is exceptionally high for a public engagement.
41. The Council held an onsite engagement session for businesses at Beaumanor on 16 September. A total of 18 people attended from local businesses and two from the local parish council. The event was very positive and well received.
42. The Council held a planned public engagement session onsite at Beaumanor on 25 September. Around 20 people attended, most of whom were residents of Woodhouse Eaves. The event was very well received by attendees who enjoyed the tour of the site and the opportunity to talk about possible future uses. All the ideas expressed were captured by the staff present.
43. Of the 888 responses above, 24 were received from businesses. Where business owners left details and were not attending the event onsite at Beaumanor, the Council has followed up with them all for supplementary conversations.
44. The Council has approached a number of existing wedding venues chains to understand more about their experience of the current operation of the market.
45. The engagement questionnaire for schools is now live and will close in mid-November. This focuses on why schools use the site, or the reason for not using it, as well as how they think the market for outdoor education will change in the future.
46. Emerging themes from the engagement so far, which may be worthy of future development and business cases, include:
 - a. Conversion of part of the estate to accommodation for wedding guests.
 - b. Conversion of the courtyard to catering and retail, to provide public access to the site, potentially alongside charged car parking and outdoor play.
 - c. Substantial increases in events run from the Hall.
 - d. Rental of the Hall to external organisation to deliver events etc.
47. As noted above, once the school engagement has concluded, some of the emerging themes from the engagement will be developed further, with full business cases. The outcomes of this will be brought to a future meeting of the Cabinet.

Café Performance and MTFs Position 2025/26

48. Income at Beacon Hill was £2,000 off target for the year at £340,000 and Tithe Barn brought in £265,000. Overall, the cafés slightly exceeded their annual contribution targets by £3,000.

49. It should be noted that on both sites, the value of having catering facilities is greater than the catering financial return that they make. For example, since the café was constructed at Beacon Hill in 2019, the car park usage at Beacon Hill Country Park increased by over 40% in the months following, compared to the figures from the previous year. Likewise, the offer at Bosworth Battlefield Heritage Centre would not be complete without some form of catering.
50. Recruitment remains challenging, in line with the wider hospitality industry. Labour costs also increased markedly, due to the local government pay award, which added further pressure to the margin.
51. During the year, the Council has worked with lettings agents to find long term tenants and operators for the cafés. In August 2025, the Council announced that Old Pots Ltd. would be taking over the operation of the Beacon Hill Café. They currently operate successful businesses in Newtown Linford and so have a good understanding of the local market. The Council is continuing to work with the lettings agent to finalise a new operator for the café at Tithe Barn.
52. It is expected that the Tithe Barn café will be outsourced by February 2026. Beacon Hill transferred in August of this year and a small contribution of £14,000 is the latest forecast for their performance. In addition, lease income of at least £25,000 from Beacon is expected to be received in 2025/26.

Professional Services Performance and MTFS Position 2025/26

53. Overall, Professional Services outperformed their budget target by £68,000. Within this there were some significant variances with Traded HR and Traded Health and Safety services exceeding their budget by £105,000, whereas LEAMIS and School Financial Services missed its contribution target by £37,000.
54. The principal challenge faced by HR Services and Health and Safety remains the ongoing financial pressure created by the limited budgets of existing customers. This has been exacerbated by recent market developments and increased competition. In response to rising operational costs and to align with the national pay award, HR Services implemented a significant price increase of approximately 12% across all its services from April 2025. The service is committed to regularly reviewing its pricing structure to ensure that it continues to cover escalating costs whilst maintaining the current level of contribution to the MTFS. Despite these efforts, both the Health and Safety and HR services have experienced the loss of some clients during the year. This has largely been driven by competitors introducing appealing discounts to attract new customers, as well as MATs opting to bring these services in-house, thus reducing demand for external provision.
55. During 2024/25, the LEAMIS service continued to assist schools seeking to change management information systems (MIS) to a cloud provider, ensure accreditation was up to date, and continued to offer support to schools.

56. LEAMIS successfully implemented new cloud school budgeting software, ensuring up to date financial data is available anytime, anywhere for schools and for the Council's strategic finance team. All schools have been trained, and the software is now embedded, providing schools' senior leadership and Governors with a much more improved management position of their budget, together with robust reporting for analysis purposes.
57. LEAMIS received notice from two out-of-County MATs as they undertook efficiency savings to reduce their annual service level agreement costs and decided to end their MIS support with the LEAMIS Service. This resulted in a loss of 27 schools.
58. A full review of school financial services is underway. This will see a significantly altered service, designed in conjunction with schools, that better delivers their requirements for timely budgeting, forecasting, and school business management.
59. Professional services latest forecast is for a contribution of £97,000 compared to a budgeted contribution of £196,000, an overspend of £99,000. This is a fall in contribution from £271,000 in 2024/25. This decline reflects the year-on-year pressures around margin, caused by local government pay awards, as well as increased competition within the market and insourcing of provision by MATs and suppliers.

Soft Facilities Management Performance and MTFS Position 2025/26

60. Despite the in-year impact of the pay award, Soft Facilities Management (FM) Contract Management had another strong year, delivering a contribution of £334,000, broadly in line with budgeted expectation. Soft FM includes services such as cleaning, grounds maintenance, and security. Print Services continued to improve on its financial performance following a restructuring and merger with the Council's Post Services delivering a contribution of £75,000 for 2024-25. In 2025/26 Soft FM will be focusing on embedding the significant number of new contracts for the County Council and external sites.
61. The forecast contribution for the Soft FM services for 2025/26 is £350,000 and £75,000 for Print Services.

Hard Facilities Management Performance and MTFS Position 2025/26

62. Hard Facilities relates to the physical and structural aspects of a building, focusing on the maintenance and repair of its essential systems and infrastructure. The service delivered a significant improvement on its budgeted contribution target of £276,000 with an outturn contribution of £403,000. This was largely due to income from increased trading levels in the Sites Development Service, which delivers minor site works for schools and other external clients, as well as the benefits realised from restructuring teams to create savings.

63. Within the Sites Development Team, the main challenges have been recruitment and retention to meet the demands of the service. There is a good sales pipeline for 2025/26, and the number of external enquiries is increasing.
64. In 2025/26, the budgeted contribution for the combined services is £324,000. Once again, the team is forecasting that this figure will be exceeded. The latest forecast is for a contribution of £400,000 in line with 2024/25 achievement.

Century Theatre Performance and MTFS Position 2025/26

65. Financial performance at the Theatre was a loss of £94,000, worse than the budget for the year of £69,000.
66. In 2025/26 new management was put in place, with a renewed emphasis on quality programming and community theatre. This is starting to show positive results with the latest forecast outturn for Century Theatre a loss of £81,000 compared to a budget of £79,000.

Equality Implications

67. There are no equality implications arising directly from this report.

Human Rights Implications

68. There are no human rights implications arising directly from this report.

Background Papers

Scrutiny Commission – 12 June 2023 – Annual Commercial Strategy Report
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=7101&Ver=4>

Cabinet – 23 June 2023 – Annual Report of the Commercial Strategy
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7077&Ver=4>

Scrutiny Commission – 29 January 2024 – Interim Report on the Traded Services Strategy
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=7441&Ver=4>

Scrutiny Commission – 4 September 2024 – Annual Report on the Traded Services Strategy
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=7445&Ver=4>