



Commercial Services Strategy 2013 - 2015

Services for Schools and Academies
Support Services | Business Services | Pupil Services

IMPORTANT:

The term 'trading' has a legal implication not intended to be established in this document. Use of the term trading is an internal abbreviation indicating provision of services for charge in accordance with whichever powers enable them.

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Commercial Services Strategy 2013

The commercial services programme has the following objectives:

- To develop a sustainable business stream from services provided within the councils remit and legislature.
- To retain 90% of our current business over the next two years and, beyond that, increase our market share through exploiting opportunities outside of Leicestershire.

This strategy identifies the means to operate successfully where there is an appetite to use skills and capability within the council to meet a customer demand so as to generate financial returns that are of benefit to the council.

The strongest existing market place is that of schools and academies and this strategy uses that as a platform to develop the capability to enter and grow new markets, including gaining strong evidence and experience of the delivery model required for those ventures supported by quantifiable data regarding their likely performance and success. It develops a stepping stone to any future direction that emerges in a volatile market place and local authority environment.

It is highly likely that the opportunity to establish a successful outcome from these ventures may be short lived because:

- The education field is rapidly changing,
- The growth of private sector competitors continues and
- public sector competitors and ventures such as the Joint Venture Company established by Staffordshire County Council and Capita must develop and grow within this market place to secure the income required in their business plan.

Therefore this strategy:

- requires continued review and re-evaluation, especially if its launch is delayed to a point where the market, customer behaviours and appetite has altered from the opportunity identified at the end of 2012. It is expected that the education market will have changed markedly by Sept 2014 and significantly by Sept 2015. This strategy will need review from that point onwards, if performance and market indications do not prompt that sooner.
- is an approach that is highly likely to require new skills and a different approach to business, with:
 - existing staff having a wider focus and responding differently to situations and opportunities but also...
 - retaining a good level of knowledge and understanding of the LA duties in working with all schools so that
 - the reputation and relationship between the community and the council is sustained

The approach of having a central leadership team will support the identification, sharing and development of those skills where they are

required most, rather than a blanket development plan that all staff in all services develop 'commercial' skills.

- is based on achieving a positive return from the powers vested in the council in the Local Authorities(Good and Services) Act 1970 which enables the provision of administrative, professional or technical services to public bodies for charge and does not restrict the pricing or profits that can be secured.
- adheres to Cabinet's review in 20 December 2011 of an interim report on the risks to the Council's MTFS arising from conversion of schools to academies, where they agreed the report and specifically noted the points in section 28, which were...

In respect of traded services the County Council will need to take steps to address the position. This will include:

- *Reviewing those services that are currently provided at no additional charge to schools as these will either need to reduce or become traded.*
- *Reviewing those services that currently trade with schools to ensure that continued trading is appropriate, services are priced appropriately and to identify opportunities including trading outside Leicestershire.*
- *Determining the most appropriate internal structures in which these services should operate so as to ensure the schools have streamlined access to high quality services.*

Trading services to generate income is reflected as a key priority in the Corporate Resources Business Plan and identified in the departmental risk register.

The strategy also accords with central government's drive for Local Authorities to make most effective use of available funds and resources. DCLG's publication of December 2012 in support of this directive - '50 ways to save' includes item 46 'Sell services' and references Kent and Birmingham's commercial activities, both of which include proactive trading to schools and academies.¹

There are some dependencies to make this strategy effective and these are addressed in the proposed approach:

- the appetite to achieve these outcomes is demonstrated at leadership levels across the council,
- the pace of adoption is sufficient to seize the market initiative,
- the customer behaviours and buying habits do not rapidly change in the next 3 months producing immediate diminishing returns,

¹ <https://www.gov.uk/government/publications/50-ways-to-save-examples-of-sensible-savings-in-local-government>

- support and recognition for its matrix management element, from above and below service line management
- standards or principles of trading to be employed so that these activities do not conflict or compromise other council activities, especially those in the areas of duty being served by traded services
- and/or the councils approach to what it is prepared to fund or deliver changes so that a strategy for these activities becomes entirely moot.

Objective of this strategy

This strategy will seek to deliver a position where traded services operate in a way that:

- (i) Statutory duties cannot attract a charge, and are expected to be funded by the council. Services provided beyond the statutory requirement are expected to operate on a sound financial footing if provided for charge.
- (ii) Statutory ('core' services) or other non traded functions are managed outside of this strategy as part of departmental priorities, but in many cases are a mutually complimentary partner to traded activities and both should be seen, internally and externally as parts of an overall council operation.
- (iii) The overall aim for all traded services is that they should be a positive contributor to the council's finances so that other costs can be met or reduced.
- (iv) Income is derived from paying public body customers which meets, as a minimum, operating costs, which includes contingency funding for known investment needs, and to cover a reasonable level of unexpected contingency and service development.
- (v) Services should have income and growth targets that generate additional profits for use within wider council operations.
- (vi) Where such a financial footing is not feasible, closer scrutiny should be made to specific and identifiable non financial benefits that are derived from providing the service at a loss:
 - a. There may be a clear political commitment to providing the service – this should be stated and identifiable rather than perceived.
 - b. There could be a clear saving over other means of achieving specific council objectives,
 - c. More subjective benefits such as sustaining relationships or routes to achieve other objectives that would be clearly not achievable at the same cost or at all, if the service were not being provided.
 - d. The activities enable skills, staff flexibility or other aspects that enable other functions to be completed at lower cost.

However all these need to be qualifiable and quantifiable to accept that the council is better off providing a loss making service from its own funding than ceasing those activities.

- (vii) Where these are not present, and there is therefore no 'income generating' reason for the service to be offered, it should be a management judgement as to its continued value for the council, why it continues and how it should be funded, but with the expectation that it should cease. Such justification should consider the overall and external clarity to justify why some services are provided, in a way that is a drain on the public purse, and others are not. Services should not be continued out of loyalty or familiarity. Decision making should be, and seen to be, consistent across all traded activities.

This is not necessarily a comfortable approach for some current staff that provide services for other perceived purposes (Such as 'the public good') or based on motivations and beliefs that cannot be sustained within today's council funding models, continued reduction in statutory roles for the council and increasing customer choices.

Putting this ethos in place requires clear unambiguous leadership, consistently sustained through all line and departmental management decisions and statements.

Our service offering

The services must be customer centric – i.e. there is a clear offering for a target audience, shaped to their specific values and needs that can be tied into specific quantifiable customer benefits.

The service must be shaped by customer demand, with flexible offerings to reflect that there may be customer segments requiring different scales of activity of components of the service

The same internal delivery team may offer more than one such service into different target audiences, and clear attractive propositions for each are required. A one size fits all approach is unlikely to be attractive to diverse customer types in the education field, or other markets.

All services should be presented as part of a single council portfolio, not as isolated activities in individual teams. Services must consider their place in a wider offering to the customer – none are isolated or independent of the actions and performance of others and the customer should experience a collaborative and cohesive range of services from one supplier, with subject matter experts involved in the delivery of the specific service component. Services should understand how they are seen, and our full portfolio of services is seen, from a customer viewpoint. Customers should not be expected to have multiple, disparate or conflicting relationships with the council or understand our internal structural divisions.

The strongest existing market place is that of schools and academies ('schools') for the following range of services

Business Support

School Support

Pupil Support

School Support Services	Business Services	Pupil Services
<ul style="list-style-type: none"> • School Food Support Service • Managing Information and ICT • Property and Facilities Management • Transport • Print and Design • School Collaboration on Resource Efficiency (SCoRE) 	<ul style="list-style-type: none"> • HR and Staff Training • Payroll and HR Admin • Insurance Services • Health, Safety and Wellbeing • Governor Development Service • Performance and Business Intelligence Service • School Admission and Pupil Service • Finance • Audit • Legal Services 	<ul style="list-style-type: none"> • Library Services for Education • Museum Services • Outdoor and Residential Learning Service • School Music • Targeted Education Services <ul style="list-style-type: none"> • Early Years SEN Inclusion Service • Safeguarding and Anti-Bullying • Autism Outreach Service • Learning Support Services • Adult Learning Service • Psychology Service

Our strengths in this market are:

- The wide range of services we offer that enable schools to have services delivered by a single known quantity, rather than multiple different suppliers
- Our familiarity and experience in supplying maintained schools with these services over a number of years
- The strength of individual professional relationships between council staff and schools staff within Leicestershire
- Our commitment to positive outcomes for Children and Young People within Leicestershire
- The 'public sector' label which generates a real or perceived assumption that we will not be seeking to financially exploit our customer to a maximum return

If our offering is reduced to a few select services, our overall strength is reduced. It is important that decisions on individual services are not taken in isolation and bear in mind the whole proposition. A reduction of the number of services offered also offers greater opportunity for new suppliers to take and expand business with our customers. The delivery of the services through a limited company would distil the public sector offering and not pull as strongly on the strength of experience or relationships held by the council. This places us in more direct comparison with the commercial private sector suppliers but without their scale or financial flexibility, initially, to offer loss leading packages to secure position in the market.

There is reputational benefit in offering quality services to local schools and being seen to deliver the programme vision of ensuring that all schools within Leicestershire receive the best support services to enable them to deliver the

best outcomes for pupils. However there is also reputational damage if the same services are not fit for purpose or offer poor value for money.

As well as many pockets of positive individual approaches, there are aspects of current performance that require specific consideration and transformation:

- Our internal organisation, where each service operates as an isolated supplier, completing its own marketing, customer acquisition, relationship management, service delivery and invoicing
- A partisan focus at individual service level, not the wider performance of the full portfolio of services
- A low level of appreciation and analysis of full cost to serve, income potential and financial and customer targets beyond year on year allocated budget balancing
- A real or perceived lack of flexibility and imagination – ‘this is the way we do it’ and the customer fits into our service which may be derived from a belief that there is no remit to be creative and flexible or no avenues to develop that.
- A real or perceived lack of pace for response, change or flex in the service offering, problem resolution and decision making
- A lack of clarity on what we offer why that is of value to customers in their terms and why customer should buy a solution from us. Services have limited customer propositions, benefit statements, testimonials and case studies and a lack of flexibility in creating packaged offers and prices between multiple services.
- Multiple contact points, with no outgoing single customer acquisition approach and on-going single relationship or account manager representing our whole offering.
- No coordinated and single marketing and service delivery plan to ensure the customer hears what we, as a whole, want to say, when they need to hear it and our service delivery is not cluttered with items that are not our customer’s priorities at that time.
- We have yet to make the transition to where we sit in the customer’s world and fit our service delivery to that, having had a history where customers follow our direction on what they receive.

Other markets can emerge for professional services. These require consideration of the customer needs and values, as these will differ from within the education market, and gap analysis, competitor analysis and capability judgement (SWOT and PESTLE analysis) is required before significant entry to that market occurs, however individual customers may assist the development of a wider offering and approaches from new markets should be considered on their merits.

In the education field, these services are capable of being delivered to:

- Maintained schools, who can specify how the delegated budget is allocated by the council – either to its own services or to the school to spend elsewhere
- Academies – who also have control of their own expenditure and purchasing options

- As a single supplier of service or services to academy groups, sponsors or chains
- As a supplier to other local authorities seeking to outsource their own provision of education services
- In collaboration with third party suppliers who augment and supplement our offering with their own capability.

Internal structure:

The right framework needs to be in place to deliver:

- increased growth in current or new markets,
- a strong 'solution selling' proposition and sales approach
- a clear and effective marketing approach across all channels and activities.

This framework needs to provide:

- Clarity of purpose, the powers we rely on to achieve those and the breadth of potential customer base – so that residual hesitancy in growing markets or generating profit is removed
- Leadership – of financial results and trading approach, to reduce and manage costs and maximise profit and to demonstrate the appetite for success and establish a figurehead for this council activity
- Structure to reduce duplicated activities and costs such as back office planning and invoicing, and deliver focussed and effective marketing and customer relations (including acquisition and segmentation)
- When the framework is in place it is envisaged that the current programme board evolve as a Commercial Strategy and Assurance Board

It initially requires 3 functions/roles to be carried out:

- Financial and business leadership
- Customer and account management
- Marketing and web management

Business Development Leadership

This role will include:

- Being the advocate and passionate driver for this strategy – the figurehead and 'authority' for these activities
- Target setting for financial and customer growth objectives, with accountability from services where these are not achieved, and to the council for the overall success.
- Understanding and maintaining the interdependency with the delivery of LA statutory duties for schools
- Matrix management of these results with collaboration between service teams and their line management to ensure the objectives and customer experience are not damaged by internal structure and management lines
- Management of cost and service delivery, with rapid response where the performance of these are not meeting required results. Not each service may be able to deliver all their proposed levels of service at the

price that is offered, and so careful consideration of the minimum product offering that generates value for the customer is required, and waste or over-delivery managed out.

Costly elements should be considered carefully to assess their need and/or other means of delivery. We need to be aware of how to:

- meet customer need in the service,
- exceed customer expectation with our approach,
- minimise cost to serve
- ensure customers understand what can be delivered for the price we offer and readily accept it as providing value for money.

Customer and account management

This role will include:

- Customer acquisition and enquiry handling - a single activity to seek out new customers, individually or via groups, chains and sponsors, directly or through partnerships and other influencers in the market place. This should be a planned growth, targeting specific counties or customers so as to enable service costs and standards to be maintained during the transition to new areas. Savings can be made from this approach, alongside growth in the customer base from more focussed strategies for new customer targeting. This role would become the 'go to' person for customers, and internal staff for information about our traded services in this market, and as the single trusted feedback route from customers.
- Contract management and customer experience – so that customers see one relationship with the council and all component services deliver to the required standards in a consistent manner. They have a known single contact point who acts as the 'face' of this council strategy and activities. Savings can be achieved from a single approach to this work.

It will be very important that this role dovetails with the communications strategy and activities from CYPS, in executing their primary role and duties with schools. There cannot be, or perceived to be by customers, conflict or competition between different Council policies or departments and external messages need to be consistent and aware of the two areas of work so that customers experience 'one council', with clarity of purpose and self-awareness of its full range of activities.

- This role is ambassadorial and has a strong effect on reputation and perception of the council. This role can also work in an appropriate level of partnership with other council ventures such as EMSS and ESPO to achieve the maximum, market presence and returns for all.

Marketing and web management

This role will include:

- Marketing and Promotions – combined and targeted, planned and prioritised, across the whole service offering to the same target

audience. Working with the existing corporate design and marketing team to provide to them single sign off, authorship and design of our outward facing communications, channels and campaigns.

- A collaborative and combined events and communications calendar, which ensures our key messages are received appropriately and customers see a clear path and continuum from all our messages.
- A single evaluation of customer insight sourced from within the trading arm and collated from service managers. Working with the corporate research and insight team to ensure verifiable insight is at the heart of service planning.
- This includes specific overarching EIS and web management of content to the target audience, including upkeep and review of content, and making revision to the website as required. They should develop a focused and timetabled plan, promoting our brand strengths and providing a platform for services to reach their customer base and deliver service elements in the most efficient and cost effective means for customers and ourselves. This should seek to establish (where appropriate) online ordering, payments, promotions etc. Savings can be achieved from a single approach to this work.
- This will require a change in approach to the current LCC website which has not completely become customer focussed and remains partially structured around internal departments. The online services project will be a natural collaborator with this function, and should seek joint benefits in revising our web presence.

Delivering this Framework

These functions are most easily achieved through a central trading responsibility or 'arm' with staff in post to compete these duties, and coordinating service delivery teams that are either:

- (i) in direct line management of this central leadership (if activities are solely or significantly around this service) or
- (ii) retained within the existing council structure (because they have a range of other duties to complete) but with matrix management for the aspects of traded services.

These staff should therefore hold 'council' authority to direct service teams actions in all aspects of the above activities into this market place for these services (i.e. departmental authorities do not distract the trading arms direction on trading activities). They should work with recognition that teams and their line managers may have competing priorities and work to support the team's specialisms in delivering quality services within the overall trading offer.

This requires existing line managers and leaders to accept that this is an equally important aspect of council business and not a distraction to other duties so that all parts of the organisation pull together in one direction.

They should have a council and customer viewpoint not a single service specialism, although initially this may help establish communications with customers and validity of their position. As the predominant volume business is delivered by corporate resources service teams, the leadership role in the trading activity will be taken by Roderick O'Connor.

It is expected that the account management role may be drawn from existing service staff and budgets. It is expected that there is a need for 2 customer relationship posts.

The central trading arm requires these duties to be staffed with appropriately skilled staff from the outset, with the remit and capability to ensure they are cost neutral to our operations. They are initially funded centrally on an 'invest to save' basis but expected to pay for themselves within a reasonable start up period (12-18 months) and will feature as a cost in the proposed financial reports.

Given the changing nature of the market place and the council this strategy, the services supplied and their viability in the market place at the time and the structures the council employs to deliver them should be kept under continual review to ensure that this strategy delivers the maximum return for the council with acceptable cost and/or risk.

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