



SALES



Commercial – Strategy

Corporate & Economic Strategy Select Committee

2 November 2023

Faye Parrett – Head of Commercial



Objectives

- To ensure the Select Committee is aware of the commercial strategy, core commercial activity and key projects
- To provide the Select Committee with confidence in the work being undertaken by the Commercial team
- To provide the opportunity for discussion

Agenda

- Commercial Strategy
- Commercial services & the team
- Baseline
 - What is commercial?
- Key priorities
- Challenges we are facing
- Activity to date
 - Core activity
 - Initiatives / interventions
- Current key projects

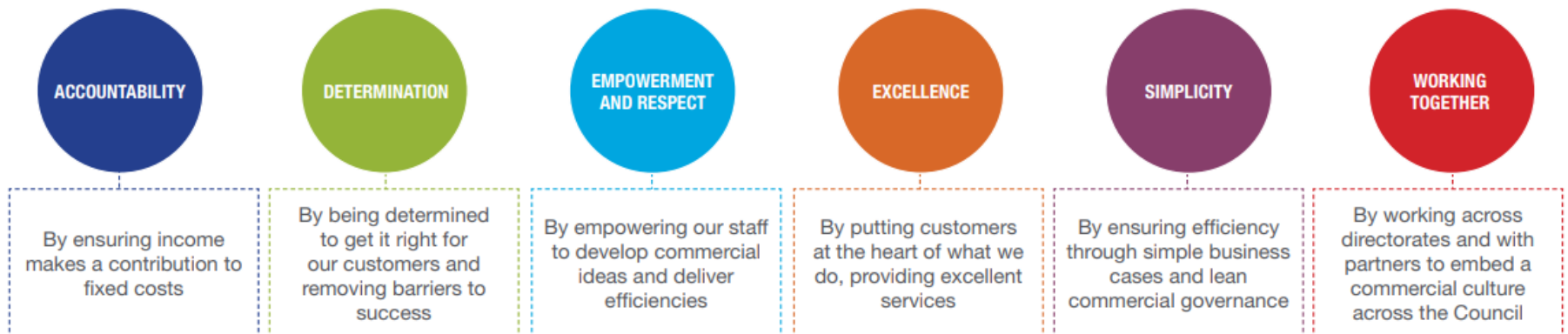
Commercial Strategy

Dudley Council's vision to become a commercial organisation is set against a backdrop of financial challenges and the desire to have the best possible outcomes for residents. Developed to support the Council in the delivery of the Council Plan and the Borough Vision and is a key element of the medium-term financial strategy making Dudley a financially sustainable and fit for the future.

The definition of commercial activity in Dudley....

“Any product, service or activity where the Council has discretion over the service and price offered and where the purpose of the activity is to generate a financial contribution.”

Aligned to the values of the organisation



Commercial Services - we have to prioritise activity



Registrars - weddings



Public Health – Trading Standards



Adult Social Care - Telecare



Regeneration & Enterprise

- Leisure Services & Cafes
- Borough Halls & Bars
- Brookes Bar & Bistro
- Himley Hall
- Bereavement Services
- Museums – inc. RHGC
- Astley Burf
- Building and Planning Control (non statutory)



Environment Services

- Green Care
- Parks
- Street Care
- Licenses and Registration
- Waste Services
- Bulky waste
- Pest Control
- Car Parking



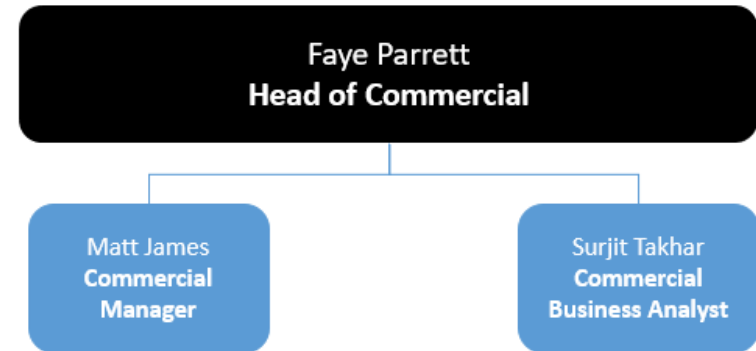
School Trading

£14m income

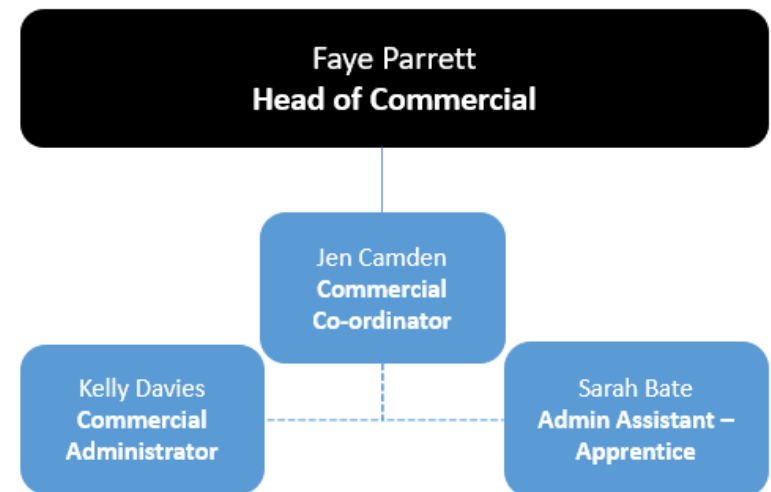
68 services hosted on Revolution portal, to include (over £100k):

- Admissions Service
- Counselling Services
- Digital Grid for Learning
- Educational Psychology
- Financial Services
- Governor Support & Training
- Grounds Maintenance
- HR Services
- Information Governance
- Learning Support Service
- Property Maintenance
- Provision of Cleaning
- School Meals
- Staff Absence Insurance
- Technology Services
- Waste Services

Team delivering core commercial function



Team delivering school trading – predominantly administration



Directorate Plan priorities



Identify opportunities that generate a material financial contribution to the Council's finances

- Introduce new services
- Cease services
- Change offer
- Change the commercial approach



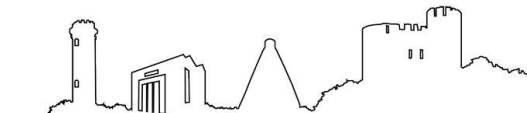
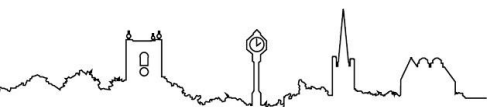
Develop a commercial culture & commercial capability

- People understand the value of being commercial and create robust customer focused business cases
- Have the commercial capabilities relevant to their service
- The organisation recognises that commercial and operational excellence are equally important



Commercially driven execution

- Audience driven strategic marketing plan
- Effective go to market models
- Marketing that enables sales
- KPIs driven sales and account management
- Data driven price & contract management
- Insight driven financial and sales performance reporting, enabling service areas to act on the intelligence



Commercial Services income

Directorate	18/19	19/20	20/21	21/22	22/23	Services include
Childrens Services	£3.198m	£3.460m	£2.791m	£3.121m	£3.399m	Education Psychology, Counselling, Dudley Performing Arts
Communications & Public Affairs	£0.237m	£0.295m	£0.079m	£0.355m	£0.345m	Himley Hall Bonfire, Advertising Space Income, Town Centre Rentals and Mayoral Business Club
Digital, Customer and Commercial Services	£3.640m	£3.218m	£3.360m	£5.095m	£5.275m	Registrars, DGfL, ICT Services, Procurement
Finance and Legal Services	£0.567m	£0.594m	£0.631m	£0.601m	£0.580m	
HR & Organisational Development	£1.612m	£2.017m	£2.213m	£2.351m	£2.161m	Staff Absence Insurance Scheme, HR Resourcing, Transaction and Payroll Services, and HR Operations
Public Realm	£3.861m	£6.645m	£6.351m	£7.684m	£5.518m	Commercial Waste, Pest Control, Grounds Maintenance, Arboriculture, Bulky Waste Collections, P&D Parking Income
Regeneration and Enterprise	£21.408m	£21.901m	£17.114m	£20.210m	£26.300m	School Meals, Crematoriums and Bereavement, Leisure Centres, Leisure Centre Cafés, Borough Halls, Red House Glass Cone, Brooke’s Bar & Bistro
Adult Social Care	£0.463m	£0.497m	£0.509m	£0.492m	£0.658m	Telecare Services
Total	£34.986m	£38.627m	£33.049m	£39.909m	£44.236m	

Regen. & Enterprise generate 60% of commercial income (22/23)

Schools are our key commercial customers – generate 38% of our commercial income (22/23)

23/24 Directorate Plan actions, objectives and KPIS

Core Actions in the Directorate Plan – aligned to individual objectives via the My Annual Review process

To continue to develop the commercial culture across the organisation by working with service areas on opportunities

To identify a 2-year pipeline of proposed commercial activities, to include:

- Increased revenue
- Cost savings / resource optimisation

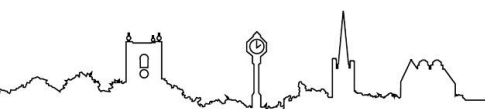
To fully understand the profit and loss for all school trading and develop a strategy for school's business

To embed Connect2Dudley into the wider Council, ensuring it is managers first choice

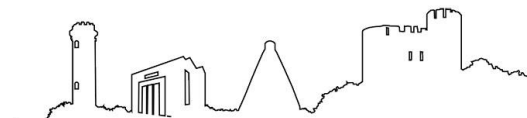
To develop the commercialisation strategy and approach for Connect2Dudley

To continue to enable services to make robust decisions on short term opportunities / pricing strategy via data analysis and business case modelling

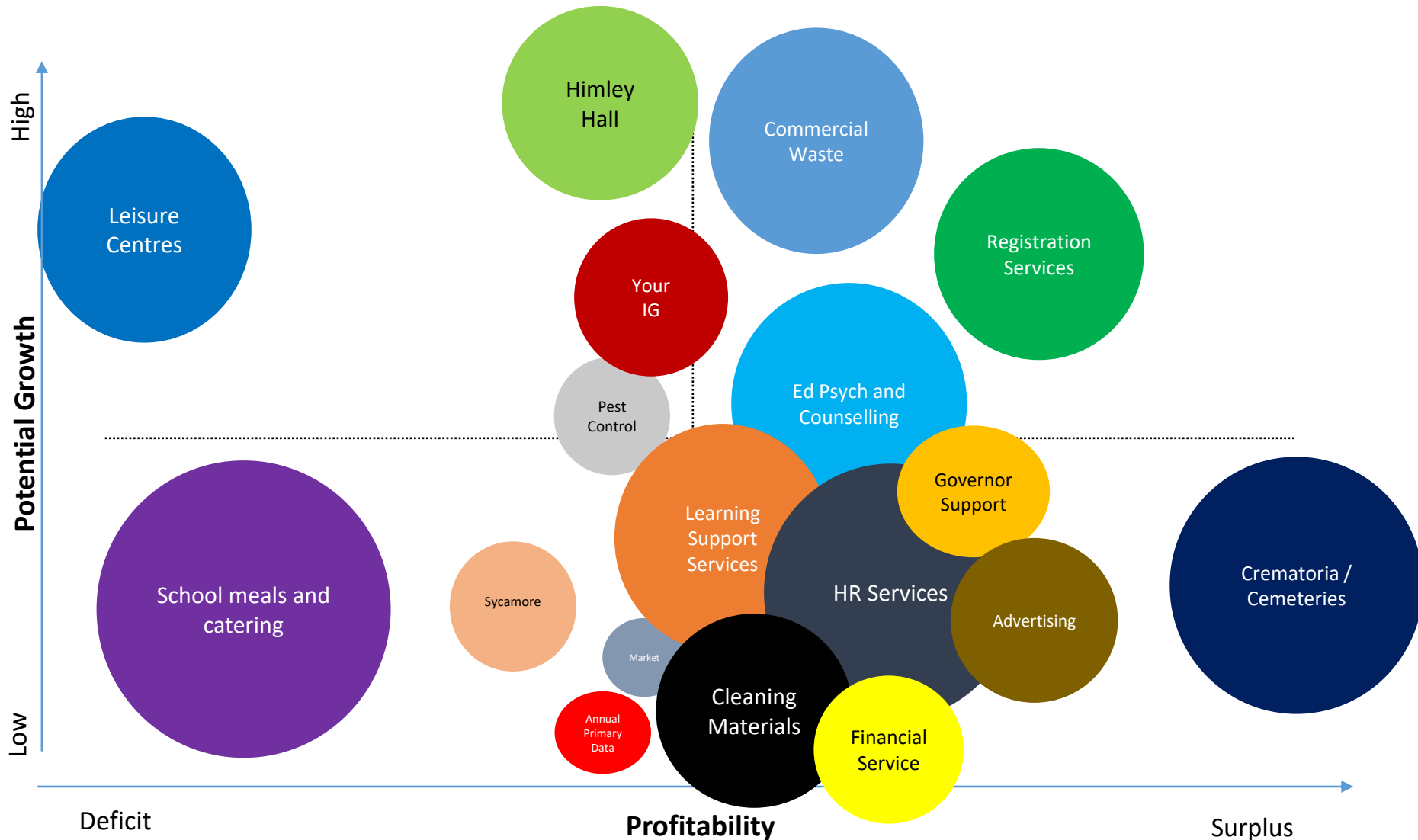
Future Council		Financial Sustainability					
Spectrum reference	Key performance indicator	2022-23 Q4 result	Targets			Reporting frequency	Lead/reporting officer
			2022-23	2023-24	2024-25		
PI.2337 Corporate KPI	Total revenue retained from school customers (baselined from 2021 data – data for services where there is a decision to close the service will be removed from the baseline)	98%	97%	95%	92%	Annual	Head of Commercial
PI.2338 Corporate KPI	Commercial opportunity – contribution to fixed costs forecasted in agreed business cases, including savings	£390k	£210k	£720k	£1.3m	Annual	Head of Commercial



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Focus on growth and profitability to identify commercial opportunities (22/23 data)

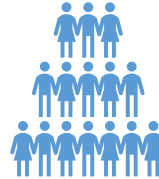


What does that mean in practice – 3 areas of focus are:



Big tickets items that have a significant impact on the bottom line

- School meals
- Leisure centres, inc. cafes
- Telecare
- Income from schools



Delivery of the political priorities

- Connect2Dudley
- Connect2TalentSolutions



Tactical operational fixes

- Pricing
- Brookes bistro
- Himley Hall
- Town Halls
- Leisure Centres
- Budget mgt & forecasting

To lead to a culture change:



Customer focus



Data led
decision making



Improved
governance



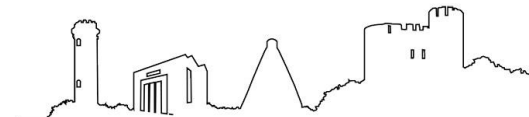
Professional
approach



Accountability



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What are the challenges we are facing?

SKILLS

We do not have the right commercial skills,
we need to develop these skills.

Decisions are made by operational services,
we need to ensure commercial implications
are considered .

CAPACITY

High volume of different:

1. products & services
2. markets & customers
3. brands
4. prices

Creating capacity challenges in a small
team.

POLITICS (P and p)

Resistance from service areas.

Officers may not adequately brief members
on impacts of commercial decisions.

CULTURE & MINDSET

Good commercial decisions require culture
change.

It will take time and resources to manage
the cultural change.

FINANCE

Finance structure and methodology does
not allow us to easily assess the
profitability of a service.

An effective commercial approach requires
investment in systems, resources &
customer comms.

SPEED OF RESPONSE

To be commercial, services (front facing
service & support functions) need to react
quickly, challenging in a Council
environment.

Core Commercial activity to date

Baseline of commercial activity and profitability of services to build a pipeline of activity, agreed by members and SEB

Culture change, working as “one council” to maximise profitability

We need to be financially sustainable, robust business cases that focus on propositions that meet customer need

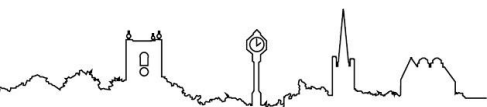
Lead joint commercial, service area and finance meetings to set and stress test budgets, review financial performance and update forecasts

Reporting and dashboards to enable service areas to understand their targets and react swiftly to the intelligence

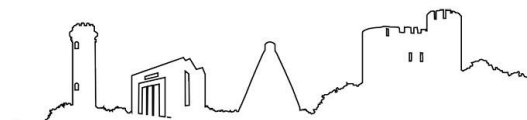
Review of the pricing strategy across the organisation. Driving collaborative decision making to achieve the maximum revenue that customers can sustain. £725k impact in 23/24 for Regen & Enterprise

Setting clear KPI's for the commercial team, achieved in 22/23, on target to achieve in 23/24

Focus on customer and demand management, driving forward activity around sales and marketing



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Commercial Initiatives & Interventions - Successes

Launch of Connect2Dudley on 5th September 2022, drivers to grow income, reduce recruitment costs and improve the quality of agency staff

Forecasted cumulative surplus of £240k by year 5

Ahead of schedule, April 2023 – first month in profit

Agreement to invest £0.5m in a play area facility at Himley Hall, bringing additional customers and revenue to the site

Forecasted cumulative surplus of £582k by year 5

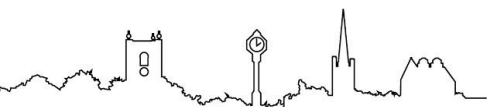
Agreement to invest £0.65m at Dudley Town Hall, improving the venue and the offer, increasing the number of events, footfall and secondary spend

Saving the Council £1m from 24/25 by transferring the school meals service to alternative providers by 31st April 2024

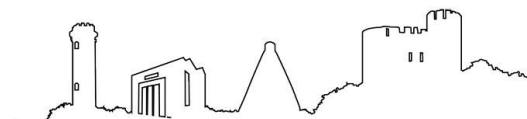
Price review in Telecare with a potential increase of £600k income per year from 23/24

Continued dedicated team working with schools with a retention strategy in a challenging environment – [RevolutionforSchools](#) Portal - £13.5m income

Development of strong modelling and targets for our events (Bonfire / Musicom), including robust cost control, focus on customer segments to drive the events into profit



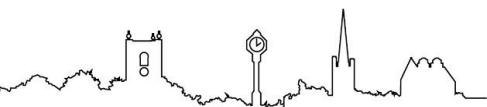
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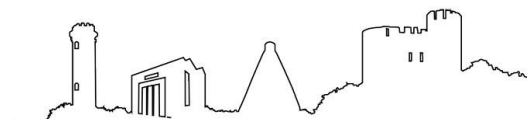
What has been delivered?

	Delivered 22/23	Forecast to be delivered in 23/24	Forecast to be delivered in 24/25
Regen & Enterprise - fees and charges	£300k	£725k	£1.1m*
Closure of School meals (MTFS)		£500k saving	£1m saving
Telecare price review (MTFS)	£260k	£660k	£660k
Connect2Dudley		£20k	£135k
Closure of Crystal Café		£70k saving	£70k saving
Himley Play Area	Delayed	Delayed	£72k
Safeguarding in Education – new service offer	£18k	£24k	£24k
Total	£578k	£2m	£3m
KPI Target	£210k	£720k	£1.3m

*Increase in fees – 3 year agreement so scales up



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Current commercial key projects.....

School Meals review

Project management of the closure of the service to time and to budget, driving forward activity to ensure we deliver the agreed savings.

DGfL

Plan for the cessation of DGfL from 1st September 2025 alongside technology colleagues who will be developing a new commercially viable offer to schools.

Revolution for Schools

Working with 322 schools, on the delivery of 68 services, as the customer liaison.

Work to retain as much profitable business as possible.

Leisure Centres

Continuing to increase income and reduce costs.

Identify alternative options for delivery.

Quantify the social value element of our centres.

Connect2Dudley

Stabilise the core business.

Development of a commercial offer to schools and other WM councils for temporary and permanent recruitment.

Leisure Centres, Himley Hall, Town Halls & Brooke's Bistro

Monitoring the performance, setting clear targets and taking action to improve sales.

Himley Hall

Identifying and exploring opportunities for income growth, ensuring maximum reward for effort.

Driving forward the play area to ensure it meets financial targets.

Pricing

Driving services to price in a more commercial manner, understand the financial impact of pricing changes, consider the market and the cost of delivery and impact on the customer.

Leisure Centre Cafes

Development of a robust plan for the future of the café facilities in our leisure centres, what is the demand, can it be sustainable.



Projects under the microscope

1. School Meals Service
2. Connect2Dudley /
Connect2TalentSolutions



School Meals Project

School Meals Project - Reminders

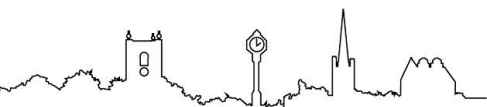
The financial situation had deteriorated, schools had moved to alternative providers (37% with other providers), costs had increased, numbers of children having meals had decreased.

Year	2019/20	2020/21	2021/22	2022/23	23/24 forecast
Income	£7.786m	£4.585m	£6.212m	£6.956m	£6.273m
Cost	£8.213m	£5.995m	£6.939m	£8.066m	£7.526
Deficit (full cost recovery)	- £0.427m	- £1.410m	- £0.727m	-£1.110m	-£1.253m*
CEC's	£0.300m	£0.209m	£0.201m	£0.332m	£0.363m
Pension Deficit	£0.282m	£0.103m	£0.035m	£0.015m	£0.000m
Departmental overheads (fixed)	£0.113m	£0.164m	£0.171m	£0.035m	£0.035m
Deficit (includes fixed costs)	- £1.122m	- £1.886m*	- £1.134m*	-£1.492m	-£1.651m

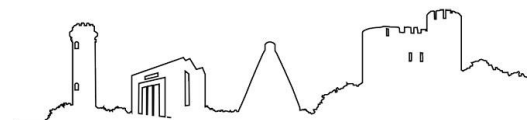
*Pay Award £220k

There were limited options to reduce the financial gap, it was impossible to close the gap without large price increases to schools (average increase of 15%).

The decision was taken to close the service with the following Strategic Outcomes.

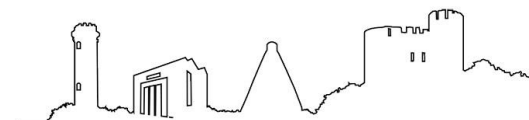
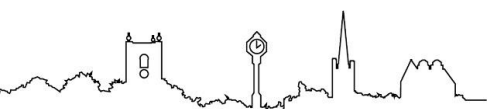


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Reminder of the Strategic Outcomes

Strategic Outcome	Summary RAG status
Avoid any negative press – manage relationships with schools carefully	
Help schools to find a quality provider that offers best value	
Minimise impact on staff through TUPE and redeployment	Vacancies are being reviewed and opportunities identified
Minimise the impact on the Council's financial position in the short term	Monthly forecasts are prepared to inform performance and mitigating action taken as required
Ensure that there is no school left without a school meals provision	Proactive engagement with all schools to provide support – aim to know all school plans by Jan 24

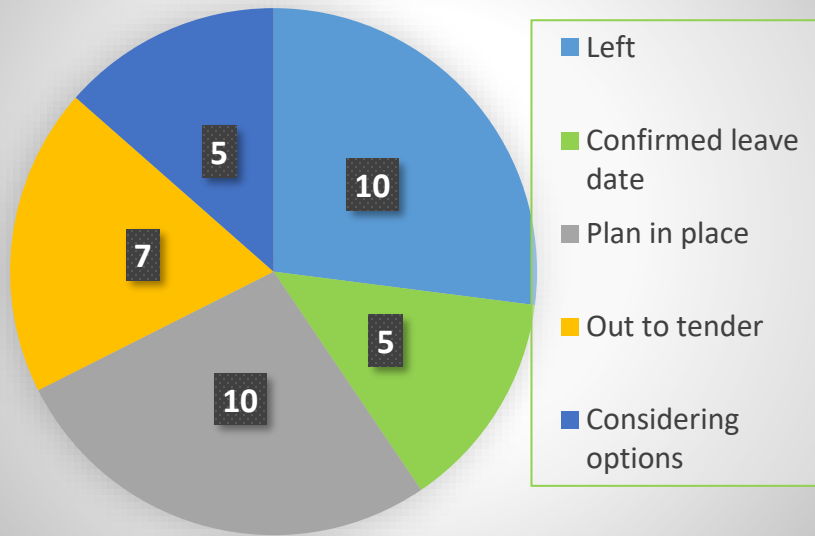


Key Deliverables

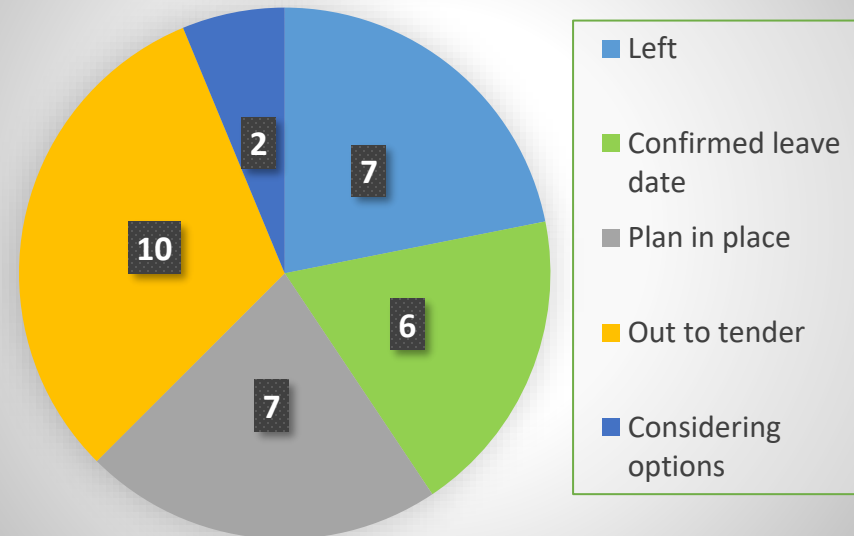
Workstream	Deliverable	Status
22/23 Cost Recovery	<ul style="list-style-type: none"> Decision to recover food cost uplift (£100k) Customers were informed 	Complete
23/24 Price Uplift	<ul style="list-style-type: none"> Prices uplifted with a cap of 11% Customers were all engaged 	Complete
Approval to cease the service	<ul style="list-style-type: none"> Presentations at SEB / Informal Cabinet Formal approval via MTFS budget process 	Complete
Market Intelligence	<ul style="list-style-type: none"> Identification of potential suppliers in the market Engagement with other Local Authority suppliers 	Complete
Procurement	<ul style="list-style-type: none"> Safe routes to procure identified Guidance provided to schools 	Continued advice as required
Finance	<ul style="list-style-type: none"> Monthly projections to be produced MTFS savings to be achieved Final reconciliations to be provided for schools leaving 	Ongoing monitoring
Stakeholder Engagement	<ul style="list-style-type: none"> Internal colleagues (HR, CAPA, Finance, Education, Connect2Dudley) 	Complete
Communications / Engagement with schools	<ul style="list-style-type: none"> Initial notification to schools Workshops with school colleagues Education colleagues supporting the messaging Resource area on Revolution for schools Regular comms 	Ongoing communication
Staffing / HR	<ul style="list-style-type: none"> Consultation with staff Working with schools on TUPE transfer Managing vacancies Casual staff analysis Back office restructure 	Ongoing communication

Status of Schools – snapshot 1st November

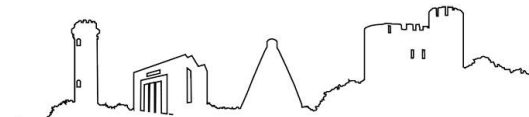
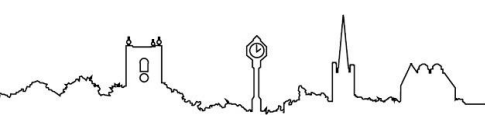
Maintained Schools - 37



Academies and out of LA - 32



- 17/69 schools have already transferred
- 11/69 schools have a clear plan with an agreed date
- 17/69 schools have a plan in place
- 17/69 schools are out to tender
- 7/69 schools are still considering their options



Connect2Dudley



Connect2TalentSolutions



Dudley Council's Objectives for Connect2Dudley

- As a reminder at the outset of Connect2Dudley project we set 2 objectives
 1. Generate a [significant] dividend from setting up a company to provide Dudley's temporary workforce and commercialise the offer.
 2. Improve our ability to source staff and retain good staff.
- In addition to these 2 objectives, we also wanted to:
 3. Bring spend onto contract with controlled margins to the agencies
 4. Drive spend down by supporting improved recruitment practices
 5. Commercialisation as part of phase 2 starting in April 2023



Financial & Operational Update

- Connect2Dudley (C2D) went live on 5th September 2022
- At the close of Q1 C2D were in a profit position, sooner than expected
- A revised forecast shows that at the end of the first full year of trading we will be ahead of the forecast by £27k and in a full year profit position, 12 months ahead of schedule
- Phase 2 is to commercialise and we are preparing to launch Connect2TalentSolutions (C2TS) – **meeting objective 5**
- With the 2 ventures we are forecasting a total cumulative profit of £865k to be shared between the partners– this money will be reinvested into core service delivery – **meeting objective 1**
- We have control over our spend and we are driving spend through the Connect2Dudley contract enabling us to manage and monitor spend effectively - **meeting objective 3**
- The reputation of Connect2Dudley is building and we are growing our supply chain, enabling us to fill more roles across the Council portfolio - **meeting objective 2**
- HR colleagues and managers are engaging with Connect2Dudley to provide opportunities to retain and source staff and Connect2Dudley are helping with some of the hard to fill permanent roles – **meeting objective 4**

