

***** DRAFT *****

COMMERCIAL SERVICES

CHIEF EXECUTIVE'S DEPARTMENT

**Annual Business Unit Operational Plan
2008/9**

SECTION 1: BUSINESS UNIT PROFILE

PURPOSE

Commercial Services (CS) is structured around a group of business areas and provides a wide range of goods and services. Receiving no budget from Kent County Council, CS is entirely self-funding, operating in a commercial style. As well as delivering value for KCC and all its customers, CS is required by KCC to moderate markets and to deliver a significant financial return to the authority each year.

OPERATING CONTEXT

Commercial Services continues to operate predominantly in the public sector, across local authorities, schools, the blue light and the voluntary sectors.

Recent changes in legislation (contained within the Freedom to Trade provision 2003) mean that, through the creation of specific incorporated companies, Commercial Services now has an opportunity to offer services to the private sector and therefore maximise utilisation of its assets and expand its customer base. Kent Top Temps Ltd was the first such venture and in 2007 Kent County Facilities Ltd commenced trading. Each company's launch and operation is subject to rigorous processes for approval via the submission of Business Cases.

In addition and of great significance, Commercial Services plays a key role as a market moderator, both through its presence as an operator in the market place and direct intervention. In this manner it is able to pursue best value to Kent County Council and its partners and it is estimated that it exerts influence over a further £250m of spend when acting on behalf of others.

Enabling Acts of Parliament include:

- Local Authorities (Goods and Services Acts 1990 and 1998)
- Local Government Acts 1972 and 2003
- Education Acts 1944 and 1996

The predominant objective for Commercial Services is to provide value and income for KCC in order to deliver an annual financial dividend. This is achieved through the following functions:

- The continued application of risk management
- The procurement of commodities and services for KCC at cost plus, the aggregation of volumes with others to achieve leverage and supplier rationalisation together with reductions in back-office costs.
- Provision of services directly to KCC
- Market moderation
- Delivering service level agreements (Transport Integration; Community Equipment Services; Facilities Management and Staff Care Services)
- Service brokering (LASER), always in open competition.

This Business Plan includes the premise that CS will continue to invest in its businesses for replacement and new assets, in accordance with the capital expenditure programme lodged with Corporate Finance.

In addition, CS will continue to exercise implementation of local Terms and Conditions for staff as provided by elected Members in recognition of CS's none budget funded status and trading position.

CUSTOMERS / CLIENTS

The Commercial Services business areas provide a wide range of goods and services to, primarily, public bodies and local authorities across the UK. More recently this has included the

private sector, through KCC wholly owned, private limited companies in accordance with the Local Government Act 2003 “Freedom to Trade” provision.

Commercial Services supplies goods and services to Kent and most of the South East of England, from Essex to Berkshire and 70% of London Boroughs, in all, over 12000 customers.

The commercial environment means that there is continual and extensive consultation and involvement with our customers. Across the business units, a wide variety of techniques are used, including customer feedback surveys, mystery shopping and questionnaires. In addition there is extensive consultation achieved through professional and trade associations as well as Central and Kent buying consortia. All such activity is useful in judging current performance and also to identify potential opportunities for improvement. During 2007/8 this has been reflected in our response to Equalities Impact Assessments and will continue to feature during 2008/9.

REVIEW OF PERFORMANCE 2007/08

Key Performance Indicator <i>Local/operational indicators as well as national ones, categorised if appropriate e.g. as LAA, Best Value, CPA, PAF</i>	Actual performance 2006/2007	Estimated performance 2007/08	Target 2008/09
Invoices paid to term (BVPI8)	100%	100%	100%
Department of Health, Community Equipment Supplies (D54)	>85%	>85%	>85%
CS Financial Targets	£3.5m	£4.5m	£5.7m

KEY ACHIEVEMENTS / OUTCOMES IN 2007/08

Commercial Services successfully delivered against performance targets set for 2006/7 providing a financial return of £3.0m to KCC. The increasing competitive challenges continue in 2007/8 affecting many traditional areas of CS core business. Despite this, CS remains on target to deliver a financial return of £4.5M (after partnership contributions).

SECTION 2: PRIORITIES AND OBJECTIVES

CORE SERVICES AND FORECAST ACTIVITY LEVELS

CS will continue to invest in its businesses for replacement and new assets and deliver against our Key Activities, thus provided a significant return to KCC. In addition to the £5.7m dividend we will continue in our market presence to provide additional benefit through market moderation and the influence of £250m spend when acting on behalf of others in the public sector.

RESOURCES

Staffing

	2007/08	2008/09
Pt13 and above or equivalent (FTEs)	13.00	16.00
Pt12 and below (FTEs)	667.69	739.16
TOTAL	680.69	755.16*
Of the above total, the estimated FTE which are externally funded	0	0

* CS incorporates Staff Care Services and Facilities Management, plus 67.93 FTE.

The actual headcount of CS in 2007/08 is 850, with an additional 150-180 people who are employed as casual labour over the summer months.

Profit & Loss

	2007/08 Budget £k	2007/08 Fcst £k	2008/09 Budget £k
Turnover	267,073	267,073	282,313
Net Profit	4,500	4,500	5,700

All financial information relating to business units is commercially sensitive, allowing comparison of performance against industry standards. It will, however, continue to be made available in confidential papers submitted to COG and elected Members together with business cases.

Information on Turnover for Trading Areas is as follows:

Trading Area	Turnover £k
Retail	39,020
Transport	14,150
Directs	6,523
Brokering (Trading)	43,262
Limited Company	15,059
CS Total Trading Turnover	118,014
Brokering (NFP)	232,000
CS Total Cash Throughput	350,014

Commercial Services structure / lead trading roles:

Director: Kevin Harlock

Retail: Steven Munday

Directs & Limited Companies: Laurence Faulkner

Brokerage: Kevin Harlock

Transport: Debbie Haigh & Kevin Harlock

New units: Debbie Haigh

Finance: Les Coulson

Marketing: St John Harvey

ACTIVITIES

The Director is authorised to negotiate, settle the terms of and enter into contractual arrangement/agreements/projects to achieve/enhance the fiscal dividend provided by CS to Kent County Council.

Specific initiatives and developments within individual business units for 2008/9 are commercially sensitive. During the year, across Commercial Services, there will continue to be a rigorous review of efficiency. In addition to the Senior Management Team over-arching review, all units will scrutinise their own operation in order to establish new ways of working and efficiencies both to fulfil customer need and deliver against future financial targets.

All staff across the organisation will continue to be engaged in identifying new opportunities for income generation.

There are, however, a number of areas of activity, which will be priorities during the year, involving all Commercial Services operations. The Senior Management Team has overall accountability for these areas and will sponsor the associated actions.

Category	Project / Development / Key Action	Deliverables or Outcomes planned for 2008/09 – SPECIFY Contribution or ROI	Target Dates
1) Risk Management	Continue to fully evaluate all risks, internal and external, associated with our business units: <ul style="list-style-type: none"> • Annual reassessment • Quarterly review of actions 	Risk avoidance and mitigation ensuring that CS can meet its service and fiscal requirements.	On-going
2) Organisational Change	Fully integrate and assess selling on the services of the new business units: <ul style="list-style-type: none"> • Facilities Management • Staff Care Services 	Look to be able to: <ul style="list-style-type: none"> • Reduce the Service Level Agreement costs on KCC and other public sector contracts for 2009/10 • Assess the open market and look to gain competitive tenders 	By end of 2008/9
3) Cost of Sales (COS)	Review COS across all units and look to leverage advantage of economy of scales by securing further sales / optimising assets.	<ul style="list-style-type: none"> • Drive an average of a 2% improvement across CS • Review and implement, where applicable, “Green Credentials” and “Carbon Clear” type sales and marketing. 	On-going
4) Health & Safety	Across all areas affected continue to drive accreditation by recognised industry standard bodies	Twofold: <ul style="list-style-type: none"> • Contain / improve on current Lost Time Accident or reported Near Misses • Improve Pre Qualification Questionnaire to Invitation To Tender ratio in areas 	On-going

		affected	
4) IT	Carry out a full review of all Internal Audit compliance categories and address any gaps.	Affecting compliance, risk avoidance and Business Continuity Planning	By end of Q1
6) Personnel	<ul style="list-style-type: none"> • Carry out full Training Needs Analysis • Revisit and revise on-going succession planning • Continue to progress Investors In People • (Continue promoting Equalities and Diversity – see below). 	<ul style="list-style-type: none"> • Ensure workforce remains fit for purpose (with challenging addition surplus demands) • Build on Business Continuity • Satisfy staff and customer requirements 	On-going

CAPACITY, SKILLS AND DEVELOPMENT PLANNING

Commercial Services has a very diverse workforce reflecting the varied nature of the business units.

The key “Activities” table above outlines our people development intentions.

EQUALITIES AND DIVERSITY

Commercial Services as part of the Chief Executives Directorate (CED) is committed to positively and proactively achieving the following targets, as and when vacancies become available for authorised head count.

Target	Description	KCC Target	CED Target	CED 2007/08 Q2 Actual
BV11A	Top 5% of employees must be women	47%	32.74%	33.52%
BV11B	Top 5% of Earners being Black, Minority Ethnic (BME)	2.2%	2%	0.96%
BV11C	Top 5% of Earners are Disability Act (DDA) registered	2.2%	2.43%	4.02%
BV16	Number of People actually registered DDA	2%	3.08%	3%
BV17	Number of people self register as being BME	2.55%	2.98%	3.37%

Commercial Services is committed to ensuring that we act in a manner that ensures:

Equality Strategy (2007-2010) Priority Outcomes	Practice	Frequency
Equal & inclusive services	<ul style="list-style-type: none"> Recruitment Succession planning Impact assessments (change or new) 	On-going
Participation and involvement	<ul style="list-style-type: none"> Promote user groups Encourage involvement in user groups 	On-going
Safe & free from harassment	<ul style="list-style-type: none"> Create and promote an equalities / diversity culture Invoke the Disciplinary Procedure and insist on zero tolerance 	On-going
The quality of intelligence and monitoring systems	<ul style="list-style-type: none"> Use the DDA and Equalities Monitoring forms for all recruitment, including versions for the Private Limited Companies (whether Two Ticks registered or not) 	On-going

SECTION 17 CRIME & DISORDER ACT

Commercial Services by the nature of its business units has extensive contact with the public and more often than not with those individuals that could be classified as vulnerable.

To ensure that CS plays an appropriate role wherever required we ensure that are staff are CRB checked (including Enhanced), that they have the appropriate legislative qualifications and that all of our operational equipment is also fully compliant.

CORPORATE ENVIRONMENTAL PERFORMANCE AND CLIMATE CHANGE ADAPTATION

Business Unit cross-cutting environmental objective – SUMMARY – (See Appendix 1 for detail)	Lead officer	Deliverables / outcomes for 2008/09	Target date
Within Commercial Services Steve Baggs is the lead advisor. Each member pf SMT is accountable for achievements in relation to their support/trading area.			
1) Continue to look for improvements across transport.			On-going
2) Encourage greater energy efficiency.			On-going
3) Reduce use of paper in CSD operations.			On-going
4) Use Environmentally Responsible Products.			On-going
5) Reduce Waste and Increase Recycling.			On-going
6) Reviewing and Improving Environmental Impact.			Reviews in 2008/09

Project / development / key action	Evidence of compliance with KCC Environment Policy	Major climate change impacts on service delivery	Adaptive action in 2008/09 (include lead and target date)
1) Risk Management	The CS risk register includes a section on environmental impact and the mitigation of adverse risks	See Cost of Sales below	See Cost of Sales below
2) Organisational Change	<p>Generally not applicable, however specific attention will be paid to:</p> <ul style="list-style-type: none"> • Mileage and vehicle usage to support Staff Care Services surgeries held across Kent. • The new Framework tenders for Contract Cleaning will be presented taking a cost proposal for “green” options. 	None specific to the actual scope of the “Activity”.	None specific to the actual scope of the “Activity”.
3) Cost of Sales (COS)	A stream of our Sales and Marketing strategy is to look to more fully make an asset of the CS environmental compliance.	<ul style="list-style-type: none"> • Landscapes Services within Directs Business Stream has already modified its operating plans. • The energy brokering service has already modified its usage / sales plans 	<ul style="list-style-type: none"> • In place each year March through November • There is a programme of work in place to increase energy procurement efficiency. Go-Live is October 2008.
4) Health & Safety	Not applicable except where new energy efficient processes require risk assessments and method statements.	None specific to the actual scope of the “Activity”.	None specific to the actual scope of the “Activity”.
4) IT	Reduction of emissions / use of energy / disposal & WEEE	Machinery overheating / main office at risk from flood / fire /	<ul style="list-style-type: none"> • Full IT Disaster Recovery in place with a third party. Full replacement technology /

	already achieved and on-going by the introduction of new technology such as thin client (dumb PC terminals) and multi-functional devices (printer/fax/photocopier)	storm.	<p>data within 24 hours</p> <ul style="list-style-type: none"> • Full Business Continuity Plan in place.
6) Personnel	The Environmental Policy and CS Action Plan are available to all staff and participation is in place.	None specific to the actual scope of the "Activity".	None specific to the actual scope of the "Activity".

SECTION 3: MONITORING AND REVIEW - HOW DO WE KNOW WE ARE THERE?

The CS Director meets with the Lead Member on a weekly basis and regularly with the Cabinet Member.

Internally CS has comprehensive governance including scheduled management information and performance reviews:

- Monthly reports include:
 - Total Sales v Budget
 - Net Profit V Budget
 - Key Performance Indicators vs. target and previous year
 - Rolling cumulative annual forecasts

- Weekly reports include:
 - Sales & COS v budget per week
 - Key Performance Indicators vs. target

- The each SMT member prepares a monthly report for collective review at SMT (including a summary of the above).
 - Progress against budget and the previous year is conducted on a quarterly basis.
 - Each Business Units management team monitors all revenue streams and takes appropriate action depending on progress against budget.

- Monthly Sales and Demand meetings provide the opportunity to inform and target the whole team.

Commercial Services also reviews and provides regular updates aligned with KCC schedules on Risk Assessments and Internal Audit.

Benchmarking with other local government consortia and the private sector, through South East Centre of Excellence, where appropriate.

Externally each May the private companies receive an independent financial audit.

APPENDIX 1 - CORPORATE ENVIRONMENTAL PERFORMANCE DETAIL

Business Unit cross-cutting environmental objective	Lead officer	Deliverables / outcomes for 2008/09	Target date
Within Commercial Services Steve Baggs is the lead advisor. Each member pf SMT is accountable for achievements in relation to their support/trading area.			
1) Continue to look for improvements across transport: <ul style="list-style-type: none"> • Reduce like for like business mileage by 15% • Bio diesel in the Aylesford and West Malling based fleets • Reflect the Euro emissions standards in our fleet • Vehicle Choice – external sales reps restricted to vehicles with low emissions • GPS route planning in KCS fleet, improving journey planning • Driver Training courses • Use a minimum of 80% recycled water in vehicle washes 			On-going
2) Encourage greater energy efficiency <ul style="list-style-type: none"> • Repeated briefings and communications and competitions • New technology such as thin client (dumb PC terminals) and multi-functional devices (printer/fax/photocopier) • Close monitoring of on site heating and lighting – consumption and processes • Lighting controls at Gibson Drive & assess opportunity for Kroner / Clover House • Change of warehouse lighting • Framework contracts (customers use) for biodiesel • Introduction of Apple Mac. Equipment in CP&D with more efficient power saving modes <ul style="list-style-type: none"> ○ & KCS • Digital printing alternatives reducing ozone emissions • Introduce “Anicolour” print technology reducing wastage 			On-going Q1 Q2 Q2 Achieved On-going Achieved Q1
3) Reduce use of paper in CSD operations <ul style="list-style-type: none"> • Promote the use of electronic media rather than paper when communicating with customers 			On-going Q1/Q2

<p>e.g. Email invitations to tender, electronic order confirmations, electronic billing and direct debit settlements</p> <ul style="list-style-type: none"> • Introduce multifunctional devices and reduce the numbers of printers across Commercial Services (also more energy efficient) 			Complete & monitoring
<p>4) Use Environmentally Responsible Products</p> <ul style="list-style-type: none"> • Continue to promote recycled paper options, introduce a new range of recycled copied paper and print both catalogues on 100% recycled fibre. • County Print to continue to look for more sustainable production related products; vegetable based inks and biodegradable solvents and exploit opportunities offered by Computer to plate technology which reduces the volume of chemicals for processing of plates • New businesses (e.g. InsideOut) to focus on use of environmentally friendly products 			On-going Achieved & on-going
<p>5) Reduce Waste and Increase Recycling</p> <ul style="list-style-type: none"> • Continue to focus on recycling initiatives in order to reduce waste to landfill, and monitor both waste and recycling levels 			On-going
<p>6) Reviewing and Improving Environmental Impact</p> <ul style="list-style-type: none"> • All business units to re consider the original aspects and impacts work in order to develop an updated view of where there are improvable and controllable environmental impacts. Take action and/or put in place new controls to better manage these areas by March 2008 • All new business units to undertake a review during the first year of operation, to assess and minimise environmental impact 			On-going Reviews in 2008/09 local business plans and actions plans being put in place