

DRAFT – Initial guidance and considerations for trading services

Guidance on the suitability of a service to trade prior to completion of the business case for traded service pro-forma

1. Scoping the suitability of a service to trade

1. There are initial scoping areas that must be examined before detailed work is undertaken.

2. Define and understand your market. – broad brush questions

1. Is there a market for your service? Ensure it is real and viable (not just someone's good idea).
2. Who will you sell to. How much do they want?
3. What proportion of your overall income will this yield ie: is it worth the effort of setting up the traded service;
4. What is the minimum income you need to achieve and what are your costs (existing and additional)
5. what are the growth potentials, who else might buy it
6. What are your liabilities ie; business continuity, disaster recovery, contractual and legal implications, TUPE and redundancy.
7. How does this sit within the corporate business plan and the individual service plan?

3. What needs to happen within your service to trade

1. Review and analyse current provision of services to decide what areas should be included in scope. Not everything is suitable to trade or can be traded.
2. Carry out a gap analysis to ensure there are no hidden areas for failure e.g. sufficient licenses, correct IT infrastructure, equipment etc.
3. Review resource requirements for delivery of increased service provision, taking into account the impact of developments in SAP and systems thinking.
4. What investment is required to deliver the service?
5. Consider which other systems or teams will be affected by your decision to trade and what are those cost implications eg: if you intend to invoice this will impact heavily into accounts payable for invoice management and debt chasing. They will need to be resourced and funded to cover this and this will form part of your true costs.
6. Identify the customer base e.g. should services be restricted to provision for other local authorities, public sector voluntary groups or educational establishments or is there the appetite and capacity to extend to other sectors.
7. Establish the impact of the Traded Services project and any required alignment with Corporate policy that comes from this e.g. uniform pricing methodology, trading restrictions and use of profit etc.

8. Establish current charges and costs and review and align costing and pricing structure (including direct and indirect as well as recharges), taking into account financial guidance for costing services e.g. calculation of on-costs, definitions of what and what not to include in on-costs. It is also important to benchmark existing and potential new charges against similar competitors, which will inform the viability of trading the service (see 12.1 below)
9. Perform a SWOT analysis to ensure that there are no weaknesses and threats that mean WCC should not undertake adopting this model to deliver the proposed services.
10. Establish better technical knowledge of responding to tenders. The council is very skilled as a commissioner of services but experience when preparing responses to tenders for payroll revealed a lack of skill and information required by the organisation for responding to tenders.
 - a. The information required to complete questionnaires had to be located from across various departments. There was no centrally held record which could be accessed.
 - a. Financial information was not detailed and there was little guidance on how services should be priced.
 - b. There was no guidance on how to complete a formal tender and what was expected e.g. format, level of detail etc.
 - c. The Council had no previous experience and no lessons learned, so it was extremely difficult to know if the tender was being pitched at the correct level and in the correct way.
 - d. Establishing full costs for the provision of the service including traditional support services was difficult since the council has not previously calculated these in this way.
11. Define the timeline for service readiness, ensuring all services are fit for purpose before being marketed.
12. Alignment of your traded service with the SAP development project to ensure that potential customers can be offered a full and improved service.
13. Implementation of a systems thinking review for all the services to be offered, to align processes and improve the customer experience ie: remove waste before incurring costs.

4. **Background Research**

1. Local authorities are competing in many cases against the private sector. Formal and informal routes of communication between local authorities means that information on pricing methodology and learning can be achieved quite quickly. Internet searches often produce significant amounts of information.
2. However, the private sector holds much of this information in confidence and benchmarking against private sector can be difficult. Private sector companies often require organisational details before issuing quotes and full specifications of service provision. Previous contract arrangements can provide an indicator,

5. **Analysis of price and competition**

1. Price comparison is fundamental particularly establishing the package of services that are offered for the given price. The package of services together with a strong, clear and easy to use pricing structure wins business. This has been evidenced through the pricing to schools and academies for payroll, recruitment and CRB services.
2. Research and customer feedback currently indicates that the preference is for customers to have named contacts who understand their organisation and its business. (Note, once a number of services are being traded, there is future potential to set up a commercial centre which deals with the services to be marketed and providing customers with a single point of contact..
3. It is important to consider and identify local companies that you may be in competition with. You should identify any positive or negative implications for local businesses and the impact this could have on the Council.

6. **Marketing and account management**

1. It is important to have sufficient income to successfully market the service. In addition when buying a service there is an expectation of account management and problem solving. The costs for this need to be built into the business case.
2. Systems thinking methodology should be applied to all services considered for marketing. Customers should be consulted as to their requirements for each service to ensure that the service provision is the most cost effective for the Council and provides customers with what they need. This will inform resource requirements and enable resources to be reduced or remain static whilst business increases. Enhancements brought in via the SAP development project such as e-forms and e-payslips will also provide customer benefit whilst reducing costs and negating the need for increased resource.
3. Costing structures for different services will need to be reviewed and aligned to provide customers with access to different levels of service and offer the opportunity to “pick and mix”. This may not be applicable to all, but should be considered where possible. This can be done with immediate effect, but may need to be reviewed at a later date once definitive guidance has been provided from finance on the calculation of costs (Traded Services project outcome refers).
4. Increasing business with other Local Authority organisations will be dependent on resource capacity and the appetite for business. Service provision to larger organisations is often subject to a full tender process, so the Council will need to ensure that it has sufficient

expertise to be able to produce adequate tenders and continue to monitor trends to ensure it remains competitive. This could be done via a commercial centre, which can also deal with any enquiries relating to new business opportunities.

5. For services to be marketable to clients, they must be tried and tested, so that service provision is of a high quality and can compete successfully with other providers. Failure to do this could lead to financial and reputational loss for the Council.

7. Risks and Issues

1. Increase in business will require additional resource to deliver or refined practices and processes in place to release existing resource.
 - (i) Failure to recruit suitable people to deliver the service (either because of the corporate policy such as a recruitment freeze or a restriction through policy to prevent/reduce external applicants) would result in poor service quality and reputational damage.
 - (ii) Non-redefinition of practices and processes will not allow the services to grow and maintain pace with competitors. Processes that are manual and lengthy are cumbersome and expensive and an increased customer base will place more strain the system.
2. Customers demand a high level of service provision and it is necessary that this is consistent across all clients, otherwise it leads to disparity.
 - (i) Customers within the same areas of business e.g. schools and academies, have regular forums where comparisons are made about traded services. Failure to provide consistency will result in customer dissatisfaction and potential loss of reputation.
 - (ii) It is not cost effective for the Council to provide disparate levels of service to its customers e.g. the provision of non-standard, complex reports for a particular customer on a monthly basis. This requires additional man power, increases costs for the Authority with no additional revenue and does not provide customers with an equality of service.
3. Changes to statutory regulations and increased customer requirements will mean that more is being demanded more from providers, so it is important that the Council can sustain the advancements in technology and knowledge and skills required to deliver and to remain competitive.
 - (i) Failure to respond to statutory changes could leave the Council open to fines and penalties.
 - (ii) Failure to respond to customer demand could result in clients taking their custom elsewhere and the Council losing its share

of the market. It could also lead to reputational damage, which may have a knock-on effect for other services.

4. Service packages need to be simple and inclusive. Complex package design will not be cost effective or easy to administer.
 - (i) Failure to produce standardised, non-complex service package levels across the areas being marketed will reduce the appeal to customers and be costly to administer. It will also facilitate other companies marketing similar products to be more competitive and to be seen as better value than Wiltshire. The offering to customers should be clear for them to understand, inclusive for their needs and offer discounts for selecting more than one service.
5. Pricing needs to be in line with the charging regulations for local authorities, as well as being able to remain competitive. The Council is unable to use public funds to sell products as loss leaders, nor is it able to make substantial profits unless it can be shown that the funds made are being used to provide additional front line services or to decrease the amounts required in the revenue budgets. It also has to ensure that any increased costs incurred by providing increased services are covered by the charges levied.

However, the Council has a duty to ensure that all assets are utilised to their full capacity and to charge appropriately for services deliver to partner/customer organisations. Any decisions on differential pricing will be open to scrutiny, so records must be maintained to be able to demonstrate fit for purpose.

- (ii) The inability to undercut competitors' prices could lead to loss of business, particularly when competing against private sector companies.
- (iii) Taking an ad hoc approach to pricing could mean that the charges for the services being offered will not cover the expenses incurred for delivery and could result in costing the Council money to provide them.

The inability to substantiate increased income and to declare profit would place the Council in breach of its public duty. This would have to be mitigated by maintaining or decreasing charges for other services, although this, in itself, may cause political controversy.