



Overview of the one source approach to trading

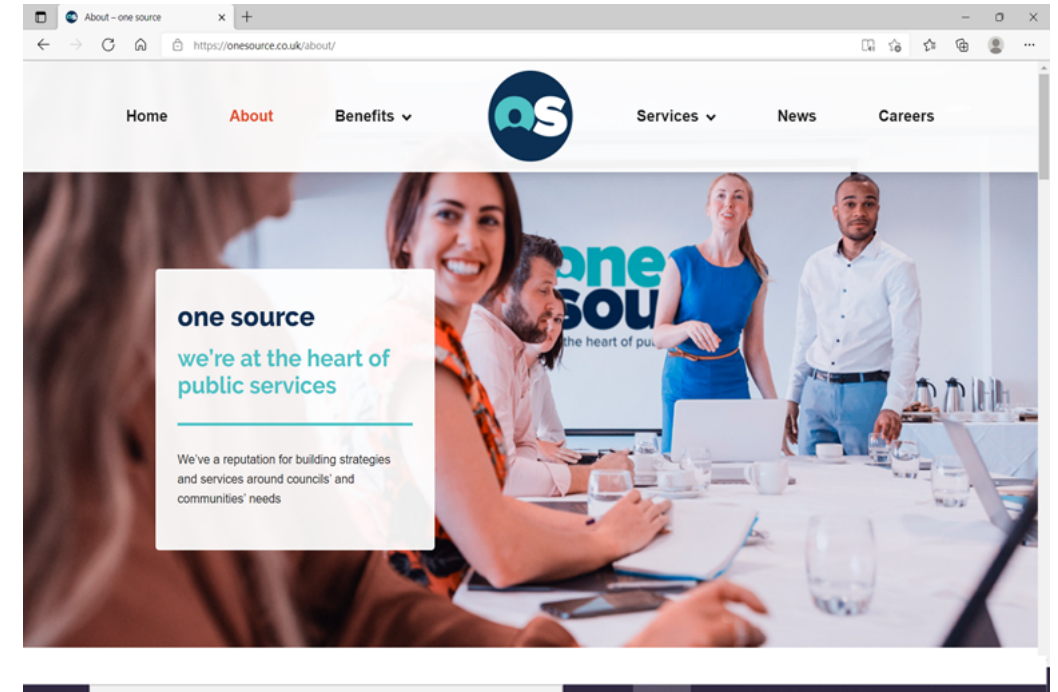
JOINT COMMITTEE

DECEMBER 2021

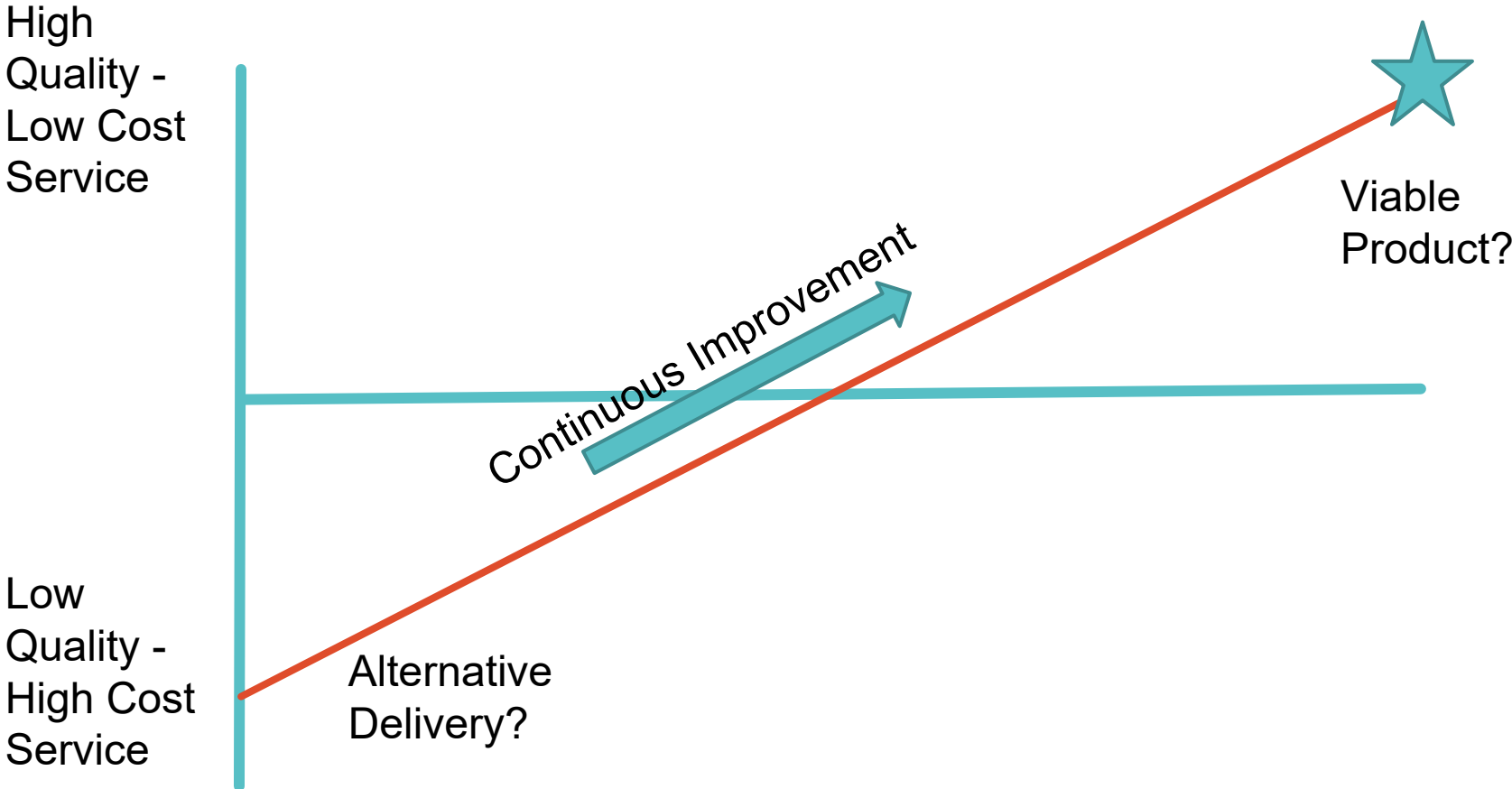


Introduction and background

- ▶ When one source was first set up in 2014 it was with an expectation that it would develop further than the original shared service arrangement between the two partner councils of Newham and Havering. There were strong ambitions that the organisation would have a significant trading presence within the public sector industry.
- ▶ This was explicitly developed with the 'Transition to Trading' strategy pursued in 2016/17, which had the stated intention of moving the organisation to a fully trading model.
- ▶ However, time and experience have tempered those original ambitions into something more realistic, and it is now recognised that whilst certain areas of the organisation are ripe for trading, others are not.
- ▶ It is also recognised that trading needs to be pursued alongside our primary focus of delivering services to the partner councils and not at the expense of this.
- ▶ The organisation now looks to take a rather more measured approach to trading, whereby we concentrate on marketing those service areas that can trade effectively, and develop those areas that have possibilities for trading. But recognising that this cannot apply wholesale across the organisation. We concentrate our efforts where we can make most profit.



Product Selection – based on service effectiveness



The one source Commercial Protocol

- ▶ In recognition of this more measured approach to trading, the one source Commercial Protocol was developed and was ratified by the Joint Committee in July 2019.
- ▶ In essence it recognises the benefits of trading, but not at the expense of delivering services to the Partner Councils:

“Following the 2018 elections, the partner Councils considered and agreed the future direction of the Council and their approach to external work. The key priorities for oneSource are:

- A primary focus on delivering services to support the corporate priorities of each partner council.*
- A relentless focus on quality and value for money as an in-house shared service*
- A readiness to deliver services to external partners recognising the benefits of generating income for the partner authorities; but only where it does not have a detrimental impact on the services delivered to the partner authorities.”*

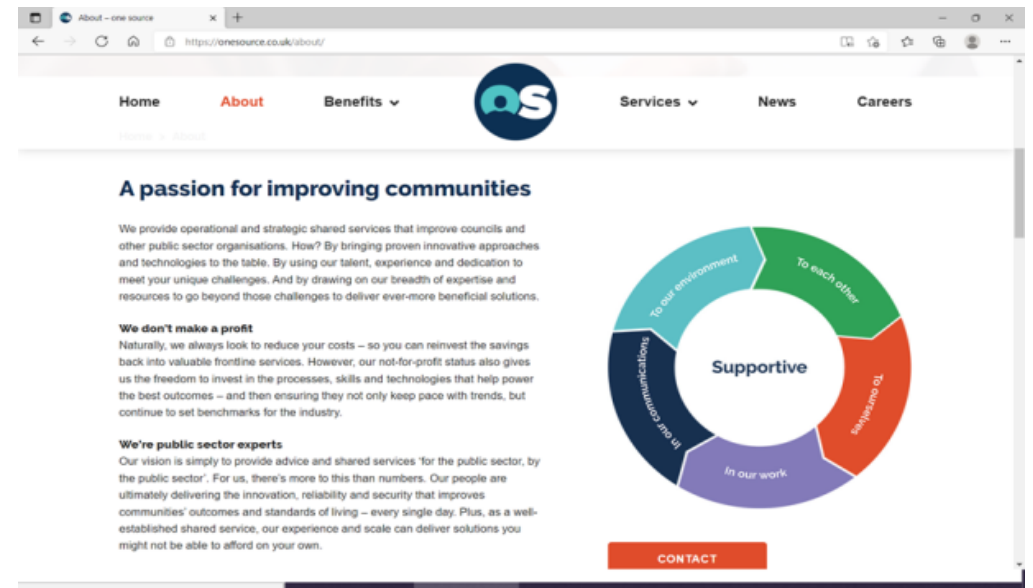
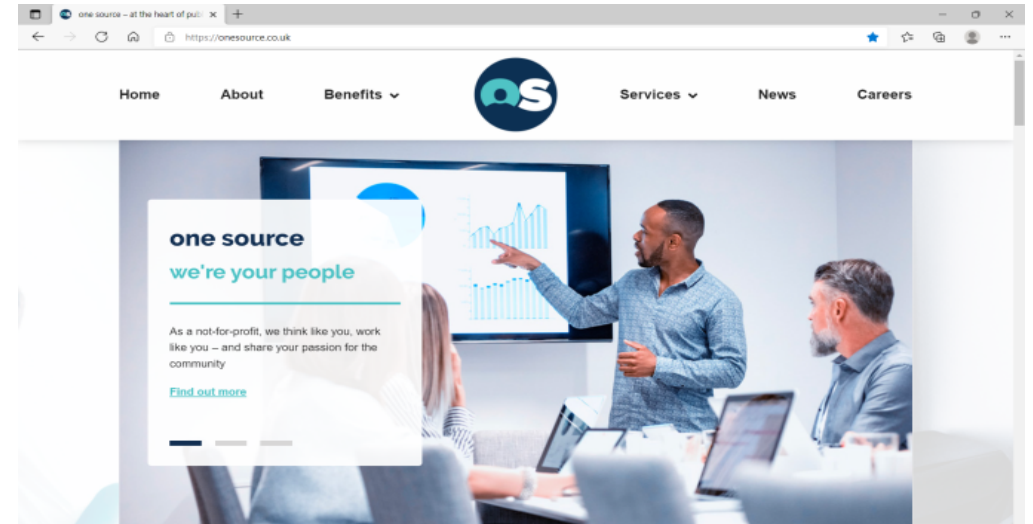
- ▶ The full Commercial Protocol is attached at Appendix B



Our current approach:

Shared Services done right - Working at the heart of public services

- ▶ Our current approach to marketing our services focuses on three broad pillars:
 1. A solid presence in the market place backed up with a professional, gateway website that allows people to understand the breath of our services and our ethos and approach.
 2. An understanding that there is rarely a 'one size fits all' product that can be mass marketed. Instead we increase our trading contracts through exploiting individual networks and leads, and with bespoke solutions. So our website and literature focuses on encouraging conversations to facilitate this.
 3. We focus on those services that have can and do trade successfully (e.g. our ethical enforcement service) to help increase their reach.



Product preparation and route to market



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| <p>Process engineering</p> <p>Automation</p> <p>Management Excellence</p> <p>Productivity</p> <p>IT Products</p> <p>Economies of scale</p> | <p>Can include all or some of the council’s overheads – eg Dem Services</p> <p>Must be reasonable mix of overheads in case of challenge</p> <p>No statutory definition of which costs are included</p> | <p>Must be high enough to avoid “state aid”</p> <p>Must be low enough to comply with LG goods and Services Act</p> <p>Price band above should be in the region of acceptable market price</p> | <p>Ensure that our colleagues are aware of which services we are trading and their USPs in order to recommend to their contacts</p> | <p>Ensure that our target market are aware of the services that we are trading</p> | <p>Experience shows that the best leads come from personal contacts</p> | <p>Send the expert practitioner to talk to the potential client – you don’t buy plumbing off a salesperson, you buy off a plumber</p> | <p>Professional bid documents and tailored costings prepared by in house bid team</p> | <p>Signing of inter-authority agreement including implementation and exit costs</p> |
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Offer & Ethos: our competitive edge

In a competitive market place, we focus on the things that make us stand out from the crowd, and make us attractive to potential clients.



We provide services “for the public sector, by the public sector”

At the heart of this is our focus on, and expertise in, the public sector. We know our industry, we are passionate about public service, and we understand the challenges of the public sector.



We offer bespoke services

Our people have a deep understanding of the public sector and its unique challenges. We build solutions around the way each organisation works – whether that is providing a complete function, like IT or Asset Management; or helping organisations tactically, for example securing PPE equipment.



Our governance

Our approach makes things simpler. As we are a section 101 delegation, public sector organisations generally don't need to manage a tender process.

Shared Services Trading – tilting the playing field

- ▶ Private sector costings need to include provision for corporation tax, shareholder dividends, contingency funding, net profit etc.
- ▶ In contrast, public sector costings do not need to include corporation tax, dividends, profit - meaning that our price can be lower or our “margin” higher.
- ▶ Private sector often resort to off-shoring to reduce costs/increase margin – this may not be acceptable to our public sector colleagues.
- ▶ Public sector to public sector “contracts” can be done by delegation of powers avoiding lengthy procurement exercises.
- ▶ Private sector will not always pass on reductions in the cost of delivering a service.
- ▶ The public sector are in a position where they are obliged to pass on reductions if the contract starts making money above the recovery of overheads.
- ▶ Ethos of the two parties in a public sector/public sector relationship is likely to closely align, creating an important feeling of affinity.

Current trading relationships

- ▶ We work with public sector clients across London and the south of England, including Barking and Dagenham, Essex, Harrow and Tower Hamlets.
- ▶ We have circa. 200 fixed term and variable Pay As You Go (PAYG) contracts with councils, schools and other public sector organisations, providing services including Ethical Enforcement, Payroll, Health & Safety, Legal services, Transport, ICT and HR.
- ▶ We generate circa. £1.3m income from trading each year.
- ▶ Our contacts range in size from variable PAYG for as little as £100 to fixed term contracts worth £100k.



Future ambitions for trading

- ▶ We see trading with other Councils as a central plank of the strategy for the delivery of savings within one source.
- ▶ Whilst the standard approach to delivering savings is to focus on general efficiencies, it is recognised that there is a limit on what can be achieved through general reductions in budgets without it impacting on core operational activities.
- ▶ Therefore alongside other initiatives there is an emphasis within one source to try and increase the amount of external revenue being generated.
- ▶ However the impact of the pandemic on other councils has meant delayed opportunities to increase one source's trading activities and, whilst 2 boroughs are in advanced stages for procuring ethical enforcement services from one source, more opportunities have not yet become available.

Future ambitions for trading

- ▶ For the future, greater emphasis is being put on increasing our trading activities by:
 - ▶ Increasing the central resources in one source – we will be including Marketing Communications expertise as part of the Strategic Delivery Unit restructure to support one source services in their trading activities.
 - ▶ Continuing to develop our marketing strategy and materials.
 - ▶ Bespoke and specific help to the ‘star performers’ – those services that have an established and successful trading profile to try and increase their presence in the market place.
- ▶ Business improvement support offered to those services who can further develop their services for trading.
- ▶ Establishment of a Trading Board within one source to enable collaboration, shared learning and bring together central support resources.

