

HAMPSHIRE COUNTY COUNCIL

Report

Panel:	Buildings, Land and Procurement Panel
Date:	20 July 2021
Title:	Business Services Group – 2020/21 Annual Report and Accounts
Report From:	Director of Culture, Communities and Business Services

Contact name: Shaun Le Picq

Tel: 0370 779 0482

Email: shaun.lepicq@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to provide Members with a summary of the financial and business performance of the three self-funding business units within the Culture, Communities and Business Services (CCBS) department for the 2020/21 financial year. The report also includes an overview of the aggregated accumulated surpluses of these business units.

Recommendation(s)

2. That the Panel make the following recommendation to the Executive Member for Commercial Strategy, Property and Estates that:
3. The 2020/21 annual report and accounts for the Business Services Group be approved.

Executive Summary

4. This report provides Members with a summary of the financial and business performance of the three self-funding business units, known collectively as the Business Services Group (BSG) in the Culture, Communities and Business Services Department (CCBS) for the 2020/21 financial year. The three business units within BSG are:
 - Hampshire County Council Catering Services (HC3S)
 - Hampshire Transport Management (HTM)
 - County Supplies.

5. The business units operate in a highly competitive environment and their continued trading performance is dependent on the success of their business development plans in retaining existing customer loyalty and winning new business. 2020/21 has been a very challenging year with trading disrupted by the Covid-19 pandemic. The closure of schools and other customer establishments for a significant proportion of the trading year had a considerable adverse impact on turnover.
6. Despite these difficult trading conditions, the three business units worked hard to generate efficiencies, reduce headcount and other costs where possible, make appropriate use of the Government's job retention scheme ('furlough'), deliver their original 2020/21 objectives and build new business.
7. All three business units have supported the County Council, schools and partner organisations with a range of Covid-19 pandemic response services and have been operational throughout the year, including during lockdowns.
8. The annual net trading surplus for BSG in 2020/21 was £948,000, compared to an original business plan target surplus of £115,000. This surplus was achieved by the business units delivering over £800,000 of cost reduction (not related to the Covid-19 pandemic) and corporate Covid-19 funding of £3.8 million to cover the net loss of income as a direct result of the pandemic. The business units also claimed £416,000 from the Government's Contain Outbreak Management Fund (COMF), which offset some specific additional Covid-19 costs.
9. The businesses are continuing their work, in line with their business plans, to generate efficiencies, focus on customer retention, exploit digital technologies and win new business. The investment required for these business development programmes is funded by the accumulated surpluses generated by the business units and this ensures that no financial support is provided by the County Council for this investment. During 2020/21, BSG invested £858,000 in new initiatives and projects.
10. The balance on the accumulated surpluses was £5.3 million at the end of the year. Although this was a total increase of £1.57 million during the year, £931,000 related to corporate Covid-19 funding for HC3S's loss of income in the previous financial year (2019/20) and £350,000 is the 2020/21 underspend on the schools Catering Support Service Level Agreement pooled fund. Therefore, the in-year trading movement on the accumulated surpluses was an increase of only £286,000. Over the last two years, the accumulated surpluses have reduced by £0.4m from £5.7m to £5.3m.
11. During the year HC3S was re-accredited with the Soil Association's 'Food for Life Served Here' Bronze award for all primary schools. This accreditation is

reviewed annually and confirms that at least 75% of food is cooked fresh, is good quality and sourced locally where possible.

12. The business units have also supported the delivery of County Council initiatives and objectives during 2020/21 including:
 - leading on three of the five climate change workstreams in CCBS
 - replacing existing diesel vehicles, at the end of their useful life, with fully electric vehicles
 - trialling Hydro-treated Vegetable Oil (HVO) fuel in several diesel goods vehicles as part of the climate change programme to reduce fleet carbon emissions
 - providing and promoting healthy and nutritious meals for school children
 - working in partnership with Children's Services to achieve savings on their contribution to the cost of the courier service as part of their Transformation to 2021 programme.

Contextual information

13. The three self-funding business units (HC3S, HTM and County Supplies) in CCBS are required to be financially self-sufficient by generating income through trading with the County Council, schools, other educational establishments and the wider public and third sectors in and around Hampshire. The income is intended to cover all costs, including relevant and appropriate departmental and corporate overheads. The business units are required to generate reasonable surpluses to enable them to invest in new initiatives to maintain competitiveness and business success.
14. The main aims of the business units are to provide good quality, value-for-money services to a wide range of internal and external customers, to be fully self-funding and to make a significant contribution to the County Council's corporate priorities.
15. BSG's primary trading focus is with customers in the education sector. Whilst trading is mainly with customers in Hampshire, Portsmouth and Southampton, the customer base extends into parts of Berkshire, Dorset (including Bournemouth, Christchurch and Poole), Isle of Wight, Surrey, West Sussex and Wiltshire.

Finance

16. The significant adverse impact on trading caused by the Covid-19 pandemic led to income being 19% below target at £48.6 million. However, with costs 17% below target at £47.7 million, BSG achieved a surplus of £948,000 for the year, compared to a target of £115,000. All three business units took management action during the year to reduce operating costs, which were not as a direct result of the pandemic, by just over £800,000, which is reflected in the increase in surplus of £833,000 compared to target.
17. The outturn includes £3.8 million of corporate funding to offset the net cost of the Covid-19 pandemic on the business units. The business units also claimed £416,000 from the Government's Contain Outbreak Management Fund (COMF). This offset some specific additional Covid-19 costs for the management of the Local Resilience Forum (LRF) PPE warehouse and the use of disposable catering items to enable schools to be 'Covid-19 Secure' in the provision of meals to pupils. The 2020/21 accounts for BSG are summarised in table 1 below and the summary accounts for each business unit are shown in appendix 1.

Table 1 – Business Services Group Actuals 2020/21

	Revised Target	Actuals	Variance to revised target	Variance
	2020/21	2020/21	2020/21	2020/21
	£'000	£'000	£'000	%
Income	57,771	48,612	(9,159)	(19%)
Costs	57,656	47,664	(9,992)	(17%)
Surplus / (deficit)	115	948	833	724%

18. Table 2 below illustrates the full impact of the pandemic on the business units. The key points to note for 2020/21 are:
- The Covid-19 pandemic reduced gross actual trading income by over £15 million, but this was offset by furlough income of £2 million, COMF funding of £0.4 million and reduced costs of just under £10 million.
 - BSG would have made an overall deficit of £5.4 million without funding support from the Government's job retention scheme, COMF and corporate Covid-19 funding.

Table 2 – Business Services Group Actuals 2020/21 - illustrating Covid-19 impact

	Revised Target	Actuals (excluding Covid-19 funding)	Variance to target	Corporate Covid-19 funding	Job Retention Scheme	COMF	Actual Outturn
	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	57,771	42,393	(15,378)	3,775	2,028	416	48,612
Costs	57,656	47,664	(9,992)	0	0	0	47,664
Surplus / (deficit)	115	(5,271)	(5,386)	3,775	2,028	416	948

19. The most significant loss of gross income (over £13 million) was for HC3S due to lockdowns closing schools to all but vulnerable and key worker children. Although HC3S also provided free school meal lunchboxes for some schools, particularly in the first lockdown, the number of free school meals reduced in the quarter four lockdown as many schools chose to use the Government funded voucher scheme as this was more convenient and provided additional funding for schools.
20. In line with Government guidance, HC3S reduced the financial impact of the lower meal numbers by receiving financial support from schools' Universal Infant Free School Meal (UIFSM) funding and income-related free school meal funding regardless of the actual meal numbers provided. This financial support amounted to approximately £6.5 million for the periods April to September 2020 and January and February 2021. For the other four months of 2020/21, charges to schools we made on actual meal numbers.
21. In addition to generating £21.6 million of income from Hampshire schools, HC3S continued to maintain a portfolio of schools outside Hampshire (£1.6 million) and non-school sites (£1.1 million).
22. HTM's main loss of income of £270,000 was in spot hire, including the County Council's pool car fleet, as schools were not undertaking trips out and County Council staff reduced business travel. However, workshop income was above target by £98,000 primarily from increased winter maintenance work due to low temperatures for a sustained period of time in the last quarter of the year. The main income streams were:
- contract hire: £4.9 million
 - fuel: £0.96 million
 - spot hire: £0.61 million
 - workshop income: £0.6 million.

23. All of County Supplies income streams were reduced by the pandemic, though this impact was mitigated by the business maintaining a varied and broad portfolio of goods and services. The key income streams were:

- stores turnover: £8.4 million
- rebate from framework agreements: £0.7 million
- catalogue advertising: £0.2 million.

24. As self-funding business units, BSG also covers the cost of relevant departmental and corporate support services. In 2020/21, BSG contributed over £800,000 towards the cost of corporate and departmental overheads.

25. Table 3 below shows the annual surpluses generated by the business units over the last five years.

Table 3 – Annual Trading Surplus / (Deficit) 2016/17 to 2020/21

	Actual	Actual	Actual	Actual	Actual
	2016/17	2017/18	2018/19	2019/20	2020/21
Business Unit	£'000	£'000	£'000	£'000	£'000
HC3S	55	7	(280)	(2,030) ¹	106
HTM	266	183	98	14	43
County Supplies	516	317	225	392	799
Total Surplus / (Deficit)	837	507	43	(1,624)	948
% of income	1.6%	0.9%	0.1%	(3.0%)	1.9%

26. Despite the difficult trading circumstances in the year, all three business units achieved an improved position compared to the previous year. This reflects the management action taken by the business units to generate further efficiencies and new business.

27. The improvement in 2020/21 HC3S's financial position was £1.1 million compared to 2019/20 as the corporate funding of £931,000 for the Covid-19 impact in March 2019/20 was received in 2021/22. This improvement is due to the successful implementation of the HC3S financial recovery plan as previously reported to Panel and the removal of the requirement for an annual past pension contribution of £559,000 in 2020/21, based on the actuarial valuation. The details of the savings are as follows:

¹ The deficit of £2.03 million includes the adverse impact of Covid-19 on income in March 2020 of £931,000. Corporate funding to support these Covid-19 losses was received in 2020/21. Therefore, the actual in-year deficit was £1.099 million

	£'000
Past pension deficit	(559)
Operational management restructure	(120)
Catering staff cost reduction (productivity improvements)	(480)
Total	(1,159)

28. HTM's reducing surpluses from 2015/16, are due to increases in the cost of staffing and vehicle spares and consumables, whilst contract hire rates have been held throughout the life of those contracts. In line with its business plan objectives, HTM reviewed its pricing and margins for 2020/21 and this has resulted in an improvement in surplus compared to 2019/20 whilst remaining price competitive.
29. County Supplies continues to achieve a steady surplus each year as it maintains its price competitiveness, successfully retains existing customers, attracts new business and delivers further efficiencies. County Supplies achieved an increased surplus of £323,000 compared to target in 2020/21 due to additional savings from the newly combined logistics team (County Supplies drivers and HTM couriers) of £161,000, staff vacancy management savings of £88,000 and other operational efficiencies of £74,000. These operational efficiencies included reducing the number of printed catalogues, more effective use of in-house warehouse space and lower building running costs due to roof replacement works.
30. The accumulated surpluses of the businesses provide a strategic reserve that help protect the County Council from financial risk in the event of adverse trading conditions and makes it possible for the businesses to invest in initiatives that retain customer loyalty and win new business. It also enables the replacement of assets and equipment, upgrading of technology and improving services. BSG's accumulated surpluses form part of the County Council's reserves. The 2020/21 movements on the accumulated surpluses for the businesses are summarised below.

Accumulated Surpluses – movements 2020/21

	£'000
Surplus as at 01/04/20	3,761
Business Services Group surplus 2020/21	948
Depreciation, interest and finance	196
Corporate Covid-19 funding (2019/20)	931
Spending from accumulated surpluses	(858)
Underspend on Catering Support SLA pooled fund	350
Closing balance as at 31/03/21	5,328

31. The accumulated surpluses increased by £1.57 million (42%) during 2020/21 to £5.3 million. The trading surplus of £948,000 and the Covid-19 funding for 2019/20 of £931,000 accounted for the majority of the increase. £350,000 was also transferred to the accumulated surpluses from the underspend on the catering support service level agreement with schools. This is a pooled fund for equipment maintenance, servicing and replacement and was underspent for the first time in many years because of the impact of the pandemic on equipment replacement cycles. As this is a fund held on behalf of schools, this will be ringfenced for its intended purpose and is likely to be fully spent in the next couple of years as HC3S catches up from the slippage on delivery of equipment and refurbishment projects. £858,000 of investment was made in line with the approved business plans in technology and IT system improvements and other Transformation to 2021 projects. Therefore, the in-year trading movement on the accumulated surpluses was an increase of only £286,000. Over the last two years, the accumulated surpluses have reduced by £0.4 million from £5.7 million to £5.3 million.
32. Appendix 2 shows the details of the actual and planned spending from the accumulated surpluses in line with the approved business plans. All spending requires a business case approved by the CCBS Departmental Management Team and only items which are business critical or have a clear payback are included as commitments in 2021/22.
33. Taking account of future known commitments and earmarks, relating to the Business Units' transformation and efficiency programmes, there is currently an unallocated balance in the accumulated surpluses of £2.3 million.

Performance and achievements 2020/21

34. BSG's actual performance against the target key performance indicators for 2020/21 is shown in table 4 below.

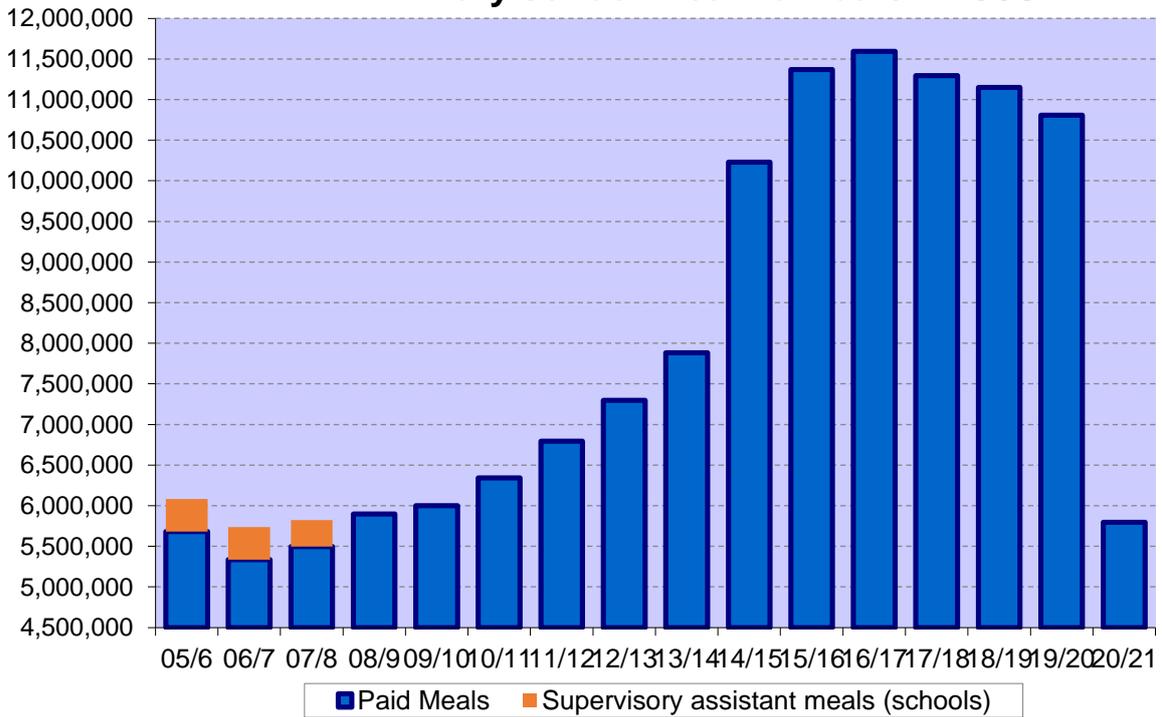
Table 4 – Key Performance Indicators: Targets and Actuals for 2020/21

KPI	Target	Actuals	Variance
	2020/21	2020/21	2020/21
<u>HC3S</u>			
- Primary school pupil meals uptake	57.3%	26.2%	-31.1%
- Primary school food cost per meal	£0.85	£0.95	£0.10
- Productivity – meals per hour	12	7	-5
<u>HTM</u>			
- Pool car utilisation	91%	27%	-64%
- Fleet downtime	1%	0.2%	-0.8%
- Fleet size (external customers and schools)	385	348	-37
- Contract hire conversion rate: quotes to orders	60%	100%	+40%

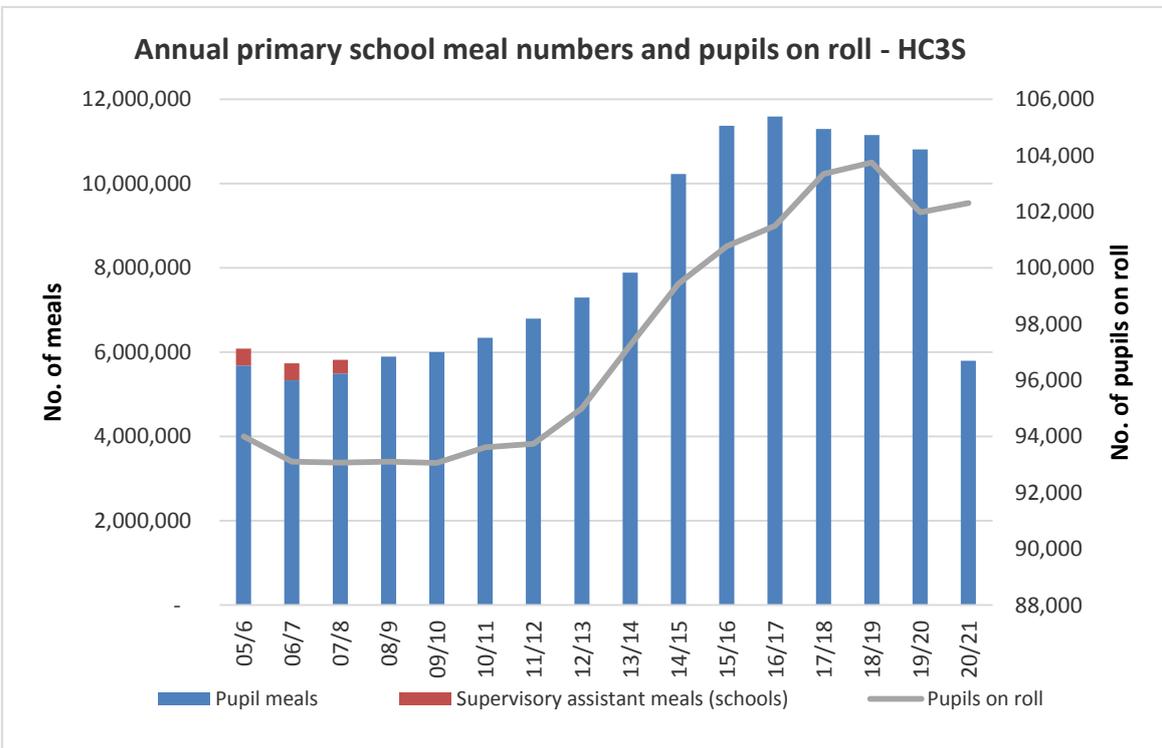
KPI	Target	Actuals	Variance
	2020/21	2020/21	2020/21
<u>County Supplies</u>			
- Stores turnover	£9.8m	£8.8m	-£1.0m
- Stores purchase price inflation	+1.1%	+5.2%	+4.1%
- Service levels – Top 400 lines	98%	94.4%	-3.6%
- Deliveries on due day	>99%	99.1%	+0.1%

35. The HC3S KPIs were adversely affected by lower meal numbers due to the pandemic. The actuals for 2020/21 are also best estimates as some schools were unable to provide actual meal numbers in some periods, particularly during lockdowns. With school and HC3S staff working hard to provide services effectively and efficiently in Covid-19 Secure ways of working data was not always able to be routinely collected.
36. Lower meal numbers due to schools being closed to all but vulnerable and key worker children reduced actual productivity compared to target, with meal numbers in the first lockdown being as low as 10% of target. Although some staff were furloughed, this was limited by only being available to offset the loss of paid meal income and not income funded through Universal Infant Free School Meal (UIFSM) funding and pupil premium (free school meals).
37. The cost per meal was higher than target as the free school meal lunch boxes were more expensive than the standard menu to ensure that the boxes contained a healthy and balanced diet and sufficient food for five lunches. Despite these cost pressures, HC3S managed to reduce the cost per meal during the year compared to 2019/20 and has been working on reducing the meal cost further for 2021/22 as part of its financial recovery plan. The work carried out by HC3S to reduce food costs has been achieved through smarter purchasing, improved supplier negotiation, careful product selection and identifying and removing unnecessary costs. This cost reduction programme has also included a focus on maintaining, and in some cases improving, food standards and quality.
38. 5.8 million primary school meals were provided in the year, which equates to just over 30,000 primary school meals served on average each day by HC3S. This compares to 10.8 million meals in the previous year and 11.2 million meals in 2018/19. The significant impact of the pandemic is clearly illustrated in the charts below showing annual meal numbers since 2005/06. The number of pupils on roll rose slightly in 2020/21 due to the increased number of primary schools using HC3S as their caterer.

Primary school meal numbers - HC3S



Annual primary school meal numbers and pupils on roll - HC3S



39. Whilst lockdowns reduced meal numbers considerably, in many schools HC3S has been serving hot or cold 'picnic' lunches in classrooms rather than the standard dining room menu so that the school can operate in a Covid-19 Secure way. This has also reduced demand as the menu choice is more

limited. However, meal numbers did recover well in some months. During October to December 2020 average daily meal numbers were over 50,800 (88% of the previous year's actuals).

40. HC3S mobilised a total of nine new contracts for the provision of catering services in primary schools, including two outside of Hampshire, during the year. In addition, one secondary school and one primary school in Hampshire extended existing contracts and HC3S agreed a one-year contract extension with 28 primary schools in Wiltshire to continue to work with them throughout the Covid-19 disruption. Unfortunately, HC3S lost business with two primary schools and one secondary school during the year. In addition, two commercial contracts were terminated as one client decided not to re-open their catering service following closure during the pandemic and, by mutual agreement, the Calshot Activity Centre café was transferred to the Hampshire Outdoors Service in CCBS.
41. The impact of these changes means that as at April 2021, HC3S was providing catering services to customers at 497 schools and 5 non-school (commercial) sites. This is net increase of 4 customers during the year. Further details are shown in table 5 below.

Table 5 – HC3S customer numbers April 2019 to April 2021

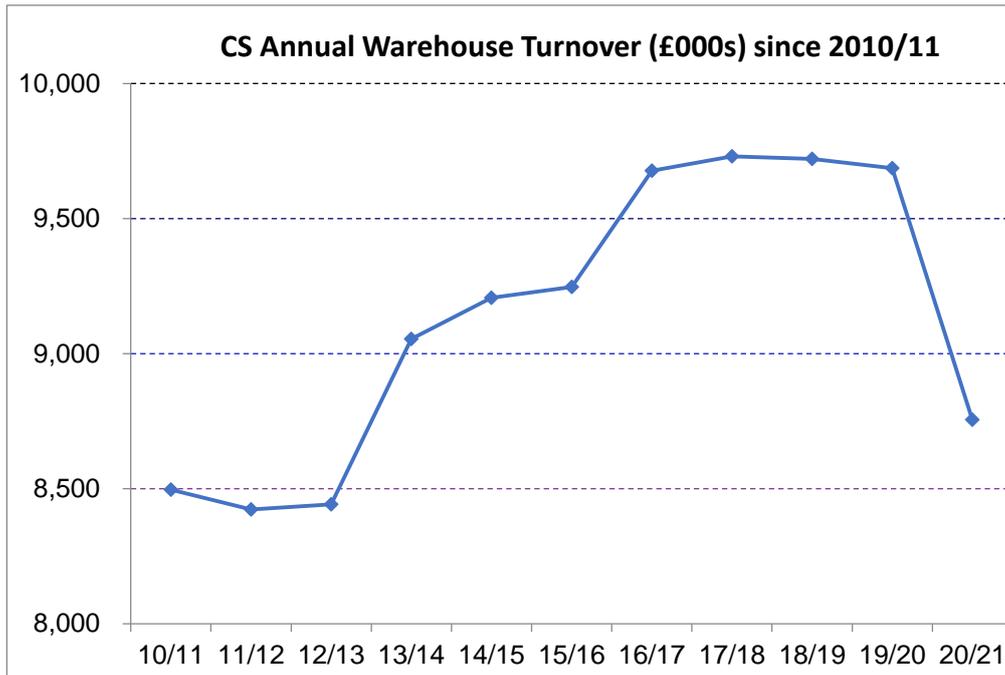
	April 2019	April 2020	April 2021
Hampshire Primary Schools	435	432	436
Outside Hampshire Primary Schools	41	42	44
Secondary Schools	21	17	17
Commercial Sites	13	7	5
Total	510	498	502

42. HC3S has been re-accredited with the Soil Association's 'Food for Life Served Here' Bronze award for all primary schools. This accreditation is reviewed annually and confirms that at least 75% of food is cooked fresh, is good quality and sourced locally where possible.
43. HTM's KPIs were also adversely affected by the pandemic, with new external business lower than target at 348 vehicles, though this external business accounts for 44% of the total fleet and demonstrates good progress on HTM's business development objective of increasing the number of external customers. This success in winning new business is also reflected in the 100% contract hire conversion rate (quotes to orders) that was achieved during the year.
44. The utilisation of the pool fleet was only 27% due to the 'work from home if you can' message from the Government for the whole of 2020/21. The utilisation of the pool car fleet has been lower than target for several years as staff aim to reduce their travel due to efficiency targets and climate change

initiatives. HTM responded to this during the year by replacing the whole of the leased diesel pool car fleet (23 vehicles) with a much smaller fleet of 6 electric vehicles during the year. The scheme is still a self-service scheme which makes it more cost effective for HTM and the County Council and enables greater flexibility for customers. The number of electric vehicles in the pool fleet will be kept under review and can be increased if required, based on demand.

45. As all five HTM vehicle workshops remained fully operational throughout the year, performance on vehicle downtime was very good at only 0.2%. The number of public MOTs completed during the year increased by 120% compared to the previous year.
46. HTM continued to provide all core services during the pandemic lockdowns in 2020/21:
 - Vehicle maintenance and repair workshops, including fuel supplies
 - Winter maintenance services to Highways England and Hampshire Highways Services Contract
 - Long-term and short-term vehicle hire
 - Drivers for Adults Health and Care (AHC) clients where required.
47. As driver training is a business development target for HTM, the theory element of the MiDAS² driver training has been converted into a virtual learning classroom environment. This has enabled this area of the business to recover quickly after the lockdowns. A greater number of delegates can attend this training without travelling to Winchester, making it a more cost-effective option. Though the practical element of the training was, of course, unable to take place during lockdowns.
48. HTM also delivered other planned improvements during the year including exploiting the Office365 digital technology by developing its first PowerApp called the 'knowledgebase.' This allows maintenance knowledge and information to be recorded and shared across the five vehicle workshop teams. HTM also promoted cheaper fuel stations to its fuel card customers, which helped to reduce customers' fuel costs by over £3,000 a year.
49. County Supplies' stores turnover was £1 million (10%) below target because of school closures and working from home reducing demand for curriculum and office supplies. The chart below shows the impact of the pandemic on stores turnover.

² Minibus Driver Awareness Scheme is a training programme that results in a nationally recognised standard of competence for driving a minibus. Retraining is required every four years.



50. County Supplies' inflation was 4.1% above target due to high inflation on hygiene products such as gloves, hand sanitiser, soaps and hand towels. Some products which were in high demand increased in price by over 400%. Although many products have recently reduced in price, some remain above pre-pandemic prices. Disruptions in the supply chain, increased demand and reduced manufacturing capacity due to the pandemic also adversely affected service levels which were 3.6% below target. Deliveries to customers performed well with 99.1% of deliveries arriving on their due day.
51. County Supplies implemented the transport and distribution review which merged the HTM courier service and County Supplies drivers into a new County Supplies logistics team. This reduced headcount and vehicles and delivered a saving of over £50,000 a year for Children's Services. It also positions the service well for delivering further efficiencies for departments and the business units over the next few years.
52. County Supplies maintained services throughout the pandemic and lockdowns, providing courier, logistics and distribution services and maintaining a purchasing, warehouse and stock delivery service for all customers.
53. Despite the pandemic, County Supplies achieved many of its planned objectives for the year, which included delivering a key business development target, with its fleet of MFDs (multi-functional devices – photocopiers/printers) increasing by 340 machines (6.9%). This additional business was with new external customers and schools.

Covid-19 Response Services

54. All three business units carried out detailed Covid-19 risk assessments and adopted new ways of working in line with Government guidance to ensure they could be 'Covid-19 secure' and could remain operational throughout the pandemic, including during lockdowns. As in-house services of the County Council, they were able to respond quickly, effectively and flexibly to provide the required support for the County Council's Covid-19 response, as well as for other customers and partner organisations.
55. During the first lockdown from March 2020, HC3S provided meals for five primary schools and two secondary schools whose external catering suppliers were unable to provide the service. HC3S stepped in to assist these schools to ensure those children entitled to free school meals continued to receive a nutritious and healthy meal at lunchtime. HC3S has subsequently agreed contracts with two of these primary schools. HC3S also developed weekly food parcels for free school meals within the first few weeks of the pandemic and ensured they provided children with five healthy and nutritionally balanced lunches for the week.
56. HC3S also used social media to assist and engage parents with Covid-19 lockdown recipes and a range of children's learning resources, provided lunches for the volunteers at the Local Resilience Forum's PPE warehouse, the temporary mortuary and the volunteers involved in surge testing in Bramley.
57. HTM provided vans for the Covid-19 temporary mortuary project at short notice, organised a refrigerated articulated truck for emergency food storage and delivered laptops and other equipment to some staff and Members at the start of the first lockdown to facilitate working from home. The team also provided emergency transport to work for some County Council staff working in critical roles and provided cover drivers for staff absence at several schools.
58. County Supplies supported the County Council and partner organisations on a wide range of Covid-19 response services. This included:
 - working in partnership with Hampshire Equipment Services (HES) to move equipment to hotels and hospitals across Hampshire.
 - storing and distributing large volumes of personal protective equipment (PPE) and hygiene products on behalf of Adults Health and Care.
 - providing logistics services for the provision of over 3,000 laptops and tablets for disadvantaged children to schools across Hampshire on behalf of DFE and Children's Services.

- supporting the University Hospital Southampton NHS Trust to enable them to expand their Covid-19 saliva testing programme to schools and other public sector organisations on a pilot basis.
- jointly managing the LRF PPE Warehouse with the Emergency Planning Team.
- logistics support to the Covid-19 surge testing in Bramley.
- transporting equipment for the temporary mortuary relocation.
- purchased and distributed 420 slow cookers and 100 cookbooks on behalf of Children's Services to support households without basic cooking facilities as part of the winter grant scheme managed by Children's Services.

Sustainability and Climate Change

59. Each of the three business units leads on one of the five CCBS Climate Change workstreams within the County Council's climate change Programme, whilst also continuing to deliver a range of other sustainability initiatives. HC3S leads on the food workstream, HTM leads the travel and transport workstream and County Supplies heads up the product lifecycle workstream.
60. During the year HC3S ensured that they purchase drinks only in recyclable, reusable or refillable containers. All takeaway cutlery and straws are now recyclable or compostable and all used cooking oils are recycled into biofuels. HC3S implemented a traceable and sustainable food purchasing policy and, wherever possible, use UK seasonal vegetables and other UK produce to reduce food miles and support British farmers and growers.
61. HTM initiated a pilot using Hydro-treated Vegetable Oil (HVO) fuel in several diesel goods vehicles as part of the climate change programme to reduce vehicle emissions. HTM developed a business case and policy that all County Council fleet cars will be replaced by electric vehicles at the end of their current useful life unless there is a specific business case to require an alternative type of vehicle. This policy was approved by the Executive Member for Commercial Strategy, Human Resources and Performance at his Decision Day on 24 March 2020.
62. The replacement of the roof on the bulk storage warehouse and offices at Bar End was completed in December 2020 and included installation of solar photo-voltaic panels. This will generate sufficient energy to power the whole building for at least six months of the year.

Apprenticeships

63. County Supplies supported nine apprenticeships during the year. Three staff undertaking a Level 4 apprenticeship in Commercial Supply and Procurement, three staff on a Level 3 apprenticeship in Business Administration, one team member doing a Level 2 Customer Service Practitioner apprenticeship and two staff on a level 3 apprenticeship in Team Leadership and Management.
64. HTM continued to have five vehicle technician apprentices in the vehicle workshops. As Members will recall, HTM has fully engaged with the apprenticeship programme since 2006 and has enabled 26 apprentices to be trained and qualified during that period. The apprentices have been an integral part of HTM's succession planning strategy. Without the workshop apprentices working through the apprenticeship system, HTM would struggle to maintain operations with a decreasing number of fully qualified technicians available to recruit in the market.
65. HC3S has sixteen staff undertaking an Apprenticeship programme. Ten staff are completing a Level 2 Production Chef programme, three are on a Level 2 Hospitality Team Member and three staff are undertaking a Level 3 in Hospitality Supervision and Leadership. Covid-19 has led to a delay in some learners completing their programmes within expected timeframes, however, four staff were successful in completing their Apprenticeships during the year.

Climate Change

66. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
67. The climate change tools were not applicable to this decision report because this is a retrospective financial and performance report for the Business Services Group for the last financial year. It is not proposing any future changes to current service provision and therefore has a neutral impact on climate change.

Conclusions

68. The performance of all three business units has been adversely affected by the Covid-19 pandemic reducing turnover during the year. However, by

delivering efficiencies, continuing to operate throughout the pandemic and winning new business, the business units were able to deliver a financial surplus for the year, with the Covid-19 losses being funded corporately by the County Council.

69. The business units have contributed to County Council initiatives and objectives during the year, including climate change, providing and promoting healthy and nutritious meals for school children and offering a range of apprenticeship opportunities. As in-house services of the County Council, the business units were also able to respond quickly, effectively and flexibly to support the County Council, schools, partner organisations and other customers with a range of Covid-19 response services.
70. BSG's business development plans, which focus on on-going efficiencies, exploiting digital technologies, meeting customers' changing expectations, retaining customer loyalty and winning new business remain critical to achieving on-going success and long-term financial sustainability for the three business units in a highly competitive marketplace.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because it enables the business units to demonstrate appropriate reporting mechanisms and to operate on a self-funding basis within the County Council's financial regulations.

Other Significant Links

Links to previous Member decisions:

<u>Title</u>	<u>Date</u>
Business Services Group – 2019/20 Annual Report and Accounts	13 October 2020
Business Services Group – Business Plans 2020/21	24 March 2020

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This report outlines the financial position and performance of the Business Services Group for 2020/21 and therefore an Equalities Impact Assessment has not been considered necessary in the development of this report as it is not proposing any changes to current service provision and therefore will have no impact on groups with protective characteristics.

**CCBS Business Services Group
Final Accounts 2020/21**

Hampshire County Council Catering Services (HC3S)					
	Target	Actuals	Variance	Variance	Surplus as %age of income
	2020/21	2020/21	2020/21	2020/21	2020/21
	£'000	£'000	£'000	%	%
Income	37,795	29,745	(8,050)	-21.3%	
Costs	38,169	29,639	(8,530)	-22.3%	
Surplus / (deficit)	(374)	106	480	228.0%	0.4%

Hampshire Transport Management (HTM)					
	Target	Actuals	Variance	Variance	Surplus as %age of income
	2020/21	2020/21	2020/21	2020/21	2020/21
	£'000	£'000	£'000	%	%
Income	7,886	7,494	(392)	-5.0%	
Costs	7,873	7,451	(422)	-5.4%	
Surplus / (deficit)	13	43	30	230.8%	0.6%

County Supplies					
	Target	Actuals	Variance	Variance	Surplus as %age of income
	2020/21	2020/21	2020/21	2020/21	2020/21
	£'000	£'000	£'000	%	%
Income	12,090	11,373	(717)	-5.9%	
Costs	11,614	10,574	(1,040)	-9.0%	
Surplus / (deficit)	476	799	323	67.9%	7.0%

Business Services Group					
	Target	Actuals	Variance to revised target	Variance	Surplus as %age of income
	2019/20	2019/20	2019/20	2019/20	2019/20
	£'000	£'000	£'000	%	%
Income	57,771	48,612	(9,159)	-15.9%	
Costs	57,656	47,664	(9,992)	-17.3%	
Surplus / (deficit)	115	948	833	724.3%	2.0%

Appendix 2

	2020/21	2021/22
	£'000	£'000
Balance as at 1st April 2020	3,761	
Actuals 2020/21		
Corporate funding for Covid-19 loss 19/2	931	
BSG (Surplus) / Deficit 2020/21 (incl. corporate Covid-19 funding)	948	
BSG depreciation & capital charges	196	
HC3S kitchen and servery improvements / investments	(33)	
HC3S digital efficiencies (allergen system)	(10)	
HC3S School Meal Income system replacement	(155)	
HC3S ASDM Consultancy	(33)	
HC3S Catering Support Pooled Fund ('20/21 underspend)	350	
County Supplies Bar End site roof replacement	(460)	
County Supplies customer ordering system modernisation	(121)	
HTM fleet management system re-procurement	(46)	
Balance at 31 March 2021	5,328	
Forecast 21/22 Commitments		
Forecast BSG Surplus 2021/22		837
BSG depreciation & capital charges		148
Traded Services Online & CRM system (HCC Sold Services)		(34)
County Supplies customer ordering system modernisation		(300)
HTM fleet management system re-procurement		(138)
HTM IT infrastructure upgrades at workshops		(30)
HTM Micheldever lift and brake rollers for MOT bay		(37)
HC3S School Meal Income system replacement		(127)
HC3S Social Marketing / Customer Insight Research		(60)
HC3S ASDM Consultancy		(50)
HC3S Allergen System		(30)
Potential HC3S kitchen and servery improvements		(50)
HC3S Catering Support Pooled Fund ('20/21 underspend)		(350)
Forecast balance at 31 March 2022		5,108
Future Potential Earmarks and Contingencies		
HTM Petersfield workshop refurbishment		(1,290)
HTM: Tablets for Workshop Technicians		(40)
HTM provision for final year capital charges (2024/25)		(340)
County Supplies SAP enhancements		(55)
County Supplies Digital Solutions for Logistics Team		(95)
HC3S mobile electronic catering - devices refresh (earliest 2023/24)		(176)
HC3S Alternative Service Delivery Model implementation		(70)
BSG contingency (1.25% of 2021/22 target turnover)		(719)
Forecast Uncommitted Balance		2,323