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Report of:	Tony Devenish, Westco Chairman
Cabinet Member Portfolio	Portfolio (as listed at www.westminster.gov.uk/cabinet)
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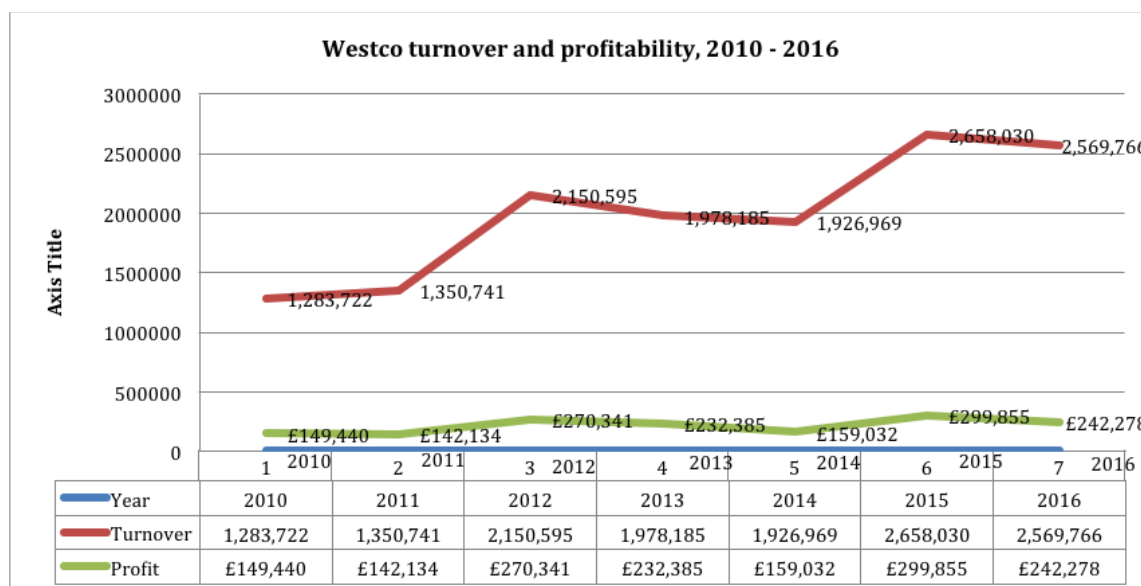
1. Executive Summary

- 1.1 This note provides the Policy and Scrutiny Committee with an update on Westco Trading Ltd, a trading arm providing external clients with Marketing, Research and Studio Design services, owned by the City Council.
- 1.2 The purpose of this report is to ensure that the Committee is aware of and engaged with Westco's work and the derived benefits for the Council from its operation.
- 1.3 This report follows an update to Audit and Performance Committee on commercial revenue performance, which highlighted Council subsidiary company performance and control mechanisms in place to manage the Council's interests.
- 1.4 **Questions to consider:**
 - 1.4.1 Does the decision making process for Westco meet good governance standards and how does it fit with the decision making of the council?
 - 1.4.2 What is the impact of Westco on the functioning of the City Council?
 - 1.4.3 How can Westco help the City Council to deliver its aspirations over the next three years?

2. **Summary**

- 2.1 Westco is the independent trading arm of Westminster City Council; a limited company wholly owned by WCC delivering communications, research and strategy services to external clients, predominantly in local government.
- 2.2 The agency was set up in 2007 as a way to trade the best local government communications practices with other Local Authorities and by doing so, provide WCC employees with professional development opportunities and develop new innovation for use within WCC.
- 2.3 Westco is a limited company selling services to external clients as a commercial venture, generating a financial contribution to the Council in the form of an annual payment back to Westminster at the end of every financial year. Westco has traded successfully since its inception, providing services to over 75 clients mainly in marketing and communication specialisms.
- 2.4 There is a growing trend in Local Government to progress with establishing trading companies as budgetary pressures grow with alternative service delivery models and property being the two key areas of commercial focus within the sector.
- 2.5 Local authorities that trade communications services include London Borough of Hackney (creative services) and Lambeth (marketing and communications).
- 2.6 After 10 years and significant change within the public sector Westco continues to tell a positive story with increasing turnover and constant profitability. The agency is forecast to exceed a £3.3m turnover this year – an increase from previous years even with the local government market making significant efficiency savings. Westco has a target net profitability of £200,000 for this financial year and is currently forecast to achieve £179,000.

2.7 Table 1: Westco financial trends



2.8 Since its inception in 2007/08 Westco has provided £1,257,389 (up to latest figures 2015/16) in profit contributions to Westminster City Council. It has developed 10 WCC employees into Heads of Communications, helped to raise the standards of communications professionals across the sector and introduced new thinking and innovation to the sector and to WCC. Westco has helped horizon scan to identify emerging needs for local government communications and is shaping the sector's response.

2.9 In the past 3 years Westco has been at the forefront of innovation both helping Westminster deliver innovative solutions to strategic priorities (e.g. using inbound marketing to help improve the take-up of commercial waste services) and leading discourse on the future of public sector communications. More information on our innovation work can be seen in paragraph 6 of this report.

2.10 Westco won the coveted Chartered Institute of Marketing (CIM) Agency of the Year in 2016.

3. Westco services

3.1 Westco provides services primarily to other local authorities and to a lesser extent, central government and the third sector in the following areas:

3.1.1 Marketing and Communications including: reviews of communication functions for councils, media training, place marketing, inbound marketing, social media, public relations, copywriting, behaviour change campaigns and the deployment of entire teams at client sites to help organisations deliver

best in class communications services to their residents (internal and external communications).

- 3.1.2 Research and insight including: quantitative (e.g. reputation trackers, media consumption surveys, consultation surveys and resident surveys) and qualitative services (e.g. focus groups and online resident panels).
- 3.1.3 Design and creative including: graphic design, animation, branding, campaign concepts, content strategy and web design services.
- 3.1.4 Strategy and campaigns including: government relations and event management.

4. Westco clients

- 4.1 Since its inception Westco has focused on the delivery of services to the local government sector. Recently it has also supported central government clients (e.g. DEFRA, Health and Safety Executive and the Cabinet Office), third sector organisations (e.g. the Social Research Unit at Dartington and the Sir Simon Milton Foundation) and other organisations (e.g. Prospects, Oxygen Finance)
- 4.2 Westco currently works with the following clients:
 - 4.2.1 London Local Authorities: Sutton, Richmond, Wandsworth, Southwark, Tower Hamlets, Barnet and Waltham Forest
 - 4.2.2 CityWest Homes
 - 4.2.3 Watford Borough Council
 - 4.2.4 Wolverhampton City Council
 - 4.2.5 Tameside Council
 - 4.2.6 Ayrshire Growth Deal (North Ayrshire Council)
 - 4.2.7 Wakefield

5. People & Governance

- 5.1 Westco is led by a Managing Director who reports to the agency's board of Directors. The board is comprised of WCC employees including two executive Directors and led by an elected WCC Councillor. The current composition of the board is outlined below:
 - 5.1.1 Chairman: Cllr Tony Devenish
 - 5.1.2 Directors: Ian Farrow (MD Westco), Dai Williams (Strategic Finance Manager WCC) and Julia Corkey (Director Policy Performance and Communications)

WCC). Non Executive Director, Stuart Love Executive Director of Growth Planning and Housing WCC and Deputy CEX WCC.

5.2 Westco delivers its services through 36 employees working in the above areas in the following roles:

5.2.1 Chairman (1) unpaid

5.2.2 Managing Director (1)

5.2.3 Board Members (3 excluding MD and Chairman) unpaid

5.2.4 Account Directors (4)

5.2.5 Account Executives (31)

5.2.6 Westminster City Council provides financial management support to Westco and is responsible for quarterly reporting, financial forecasting, contract performance, P&L, and end of year accounts. A member of the WCC financial management team sits on the Westco board.

5.2.7 Westco as part of its workplace pension scheme requirement has developed a matched contribution pension scheme for its employees as well as offering healthcare and other benefits to employees. Westco is supported with its pension and benefits package by independent financial advisers Music Media with the pension scheme administered through Royal London.

5.3 The performance of Westco in addition to the other companies owned by the Council is reviewed by the Council's Executive Management Team (EMT) through financial updates on a monthly basis.

5.4 All Westco staff are trained in the vision and values of the organisation in their induction. These include a value to 'Adhere to the highest professional standards' and staff have objectives set against this.

6. Westco innovation

6.1 Westco has developed innovative propositions to both support WCC and to provide a point of thought leadership on public sector communications across the industry. Westco initiatives include:

6.1.1 Westco Commission: a rolling thought leadership panel looking at the future of public service communications including a range of industry experts such as Rory Sutherland, Vice Chair Ogilvy and Mather Group UK and founder of OgilvyChange; Eddie Copeland, Director of Government Innovation, Nesta Innovation Lab; Dr Robin Pharoah, Director of Future Agenda; Tiffany St James, Transmute digital experts; Francis Ingham, Director General PRCA (Public Relations and Communications Association).

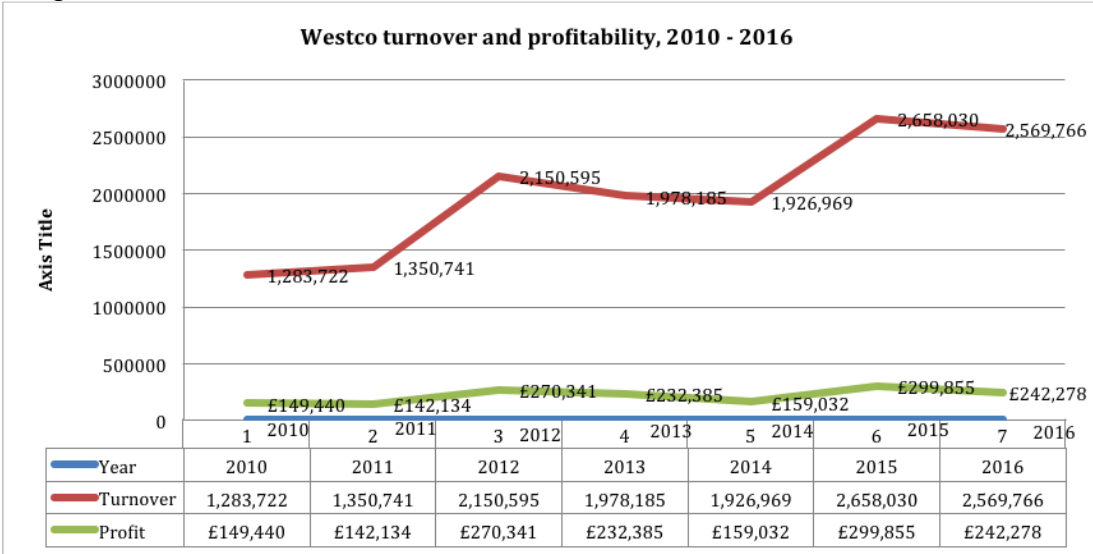
- 6.1.2 Westco Academy: a points based learning framework developed with the PRCA and Westco Commission partners to train and develop communications professionals with new skills and techniques. To date all Westco employees are engaged in the Academy and we have held training weeks covering digital engagement, campaigning and evaluation, behaviour change, performance management and leadership. The Westco Academy model has also been developed into a WCC Academy for communications professionals within the City Council.
- 6.1.3 Westco Professional Assessment Centre: senior Westco resources provide both clients and the wider sector with recruitment support and professional assessment services. To date Westco has provided the senior technical support to Hays Recruitment for two Heads of Communication posts to London authorities and full assessment tests and interviews for other local authorities.
- 6.1.4 Westco partnerships: a series of strategic partnerships with leading private sector agencies to improve capability including:
 - 6.1.4.1. #OgilvyChange introducing improved behavioural science into Westco campaigns and training for over 50 local government communications professionals across the sector through the Westco Academy. OgilvyChange also tested a Randomised Control Trial for WCC council tax direct debits as a free trial.
 - 6.1.4.2. Transmute digital engagement experts to introduce social media strategy and campaigning to WCC and Westco clients and training for staff through the Westco Academy. A six-month digital and social media implementation plan has been agreed and will be rolled out embedding capability to WCC in this area.
 - 6.1.4.3. Toast inbound marketing that has introduced the latest online marketing techniques to WCC commercial waste service resulting in 84% increase in website traffic, 2,000 leads generated, 200 sales ready enquiries which will help the council turn leads into new contracts. We will now look at other services within the council such as Registrars that could benefit from this innovation.
 - 6.1.4.4. C_Space to introduce online collaborative engagement with residents in Sutton and Richmond to help improve community engagement and the design of services and communications.
- 6.2 Westco has held thought leadership events to share best practice across the sector on:

- 6.2.1 Future of residents surveys
- 6.2.2 Police and Crime Commissioners communications and positioning at Conservative Party Conference
- 6.2.3 Place marketing for economic growth workshops with clients
- 6.2.4 Digital engagement and campaigning
- 6.2.5 Behaviour change campaigns
- 6.2.6 Asset focused community engagement
- 6.3 Westco was awarded Agency of the Year by the Chartered Institute of Marketing in 2017.

7. Summary of benefits to WCC

- 7.1 Westco has delivered a wide range of benefits to WCC including:
 - 7.1.1 Generating a profit for WCC – in excess of £1.25million in contributions cumulatively. Diagram 1 below provides a turnover and profitability performance trend graph between 2010 and 2016
 - 7.1.2 It should be noted that while turnover has increased significantly, profitability has remained steady due to the increase of work done for WCC by Westco resources at no profit – for example, increase in research work to support key consultations in Westminster, graphic design services to support major Council projects and providing support for Grenfell Tower recovery programme.

Diagram 1



- 7.1.3 Raising the profile of Westminster City Council – e.g. Westco Academy training events across the sector, thought leadership events and publications

and helping raise industry standards through communications reviews and professional assessments and recruitment. e

- 7.1.4 Providing unique opportunities for the professional development of WCC employees – e.g. developing the careers of 10 WCC employees into Heads of Communications for external clients and through training and development as part of the Westco Academy. Providing capacity and resilience to WCC in times of need – e.g. Westco’s deployment of resources from across its client sites to support the Grenfell Fire response team.
- 7.1.5 Introduction of innovation in the development of products and services through the Westco Commission and through use of partnerships with private sector leading agencies.

8. Future challenges

- 8.1 Westco is a successful marketing and communications agency in the public sector but the market in which it operates is going through extremely difficult financial times. The agency is positioning itself to help councils to meet emerging needs and challenges that result from the changing nature of public service.
- 8.2 As Revenue Support Grant (RSG) is phased out and new economic growth incentive funding mechanisms replace it, Westco needs to help councils drive economic growth through place marketing and improve community engagement to ensure this aspiration is shared and supported by communities.
- 8.3 As local government scarce resources need to become more effective Westco will help councils to improve demand management for services through better use of behavioural science and service design. Early success in this area has been seen in Sutton where a Westco campaign in partnership with OgilvyChange has delivered significant improvement to recycling rates.
- 8.4 As technology changes with the increasing dominance of Artificial Intelligence (AI) and the spread of digital, Westco must help clients horizon scan and develop the skills and disciplines to make the most use of this and mitigate any emerging risks. The annual LGA Conference is an opportunity to showcase WCC innovation, what we may see as the operational norm is often 'best practice' elsewhere.
- 8.5 Managing reputation through significant change in service provision and in the context of a changing society also requires Westco to be ahead of the game in terms of its professional advice and guidance.

9. **Westco case studies**

- 9.1 Appendix 1 lists Westco case studies for the purposes of describing the agency's work to the committee.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact Ian Farrow, Westco MD at ifarrow@westminster.gov.uk

APPENDICES:

- 1) Westco case studies

BACKGROUND PAPERS

This section is for any background papers used to formulate the report or referred to in the body of the report.