



City of Westminster

Shareholder Committee

Meeting or Decision Maker:	Shareholder Committee
Date:	6 December 2021
Classification:	General Release
Title:	Westco mid-year report
Wards Affected:	All
Company Affected:	Westco - 06462674
City for All/Policy Context:	Good governance of council-owned companies
Key Decision:	No
Report of:	CLlr Tony Devenish, Westco Chairman Ian Farrow, Westco Managing Director

1. Executive Summary

- 1.1. This report presents to Westminster City Council's (WCC) Shareholder Committee the financial and operational performance of Westco Communications (Westco), in the first half of the financial year 2021/2022. It also outlines forecast performance for the second half of the financial year based on assumptions made when writing this report in November 2021.

2. Recommendations

- 2.1. The Shareholder Committee are asked to note this report.

3. Background, Including Policy Context

- 3.1. Westco has operated as an agency since its constitution in 2007/8, selling marketing and communications expertise to the public sector. In that time, Westco has driven turnover in excess of £28m and contributed more than £1.7m back to WCC through its agreement with the Council for the provision of annual contribution out of the agency's profit. Since its launch, Westco has employed over 100 communications professionals, trained more than 800 public servants and developed more than 15 heads of communications providing WCC staff opportunities to further their careers and bring back experience to the council.
- 3.2. Westco has undertaken over 40 audits and reviews of public sector organisations' communications functions, including the Cabinet Office, placed over 50 interim professionals, and worked with Leaders and Chief Executives from local authorities of every political hue (see Appendix 3 for list of client authorities). To the best of our knowledge, Westco is the most successful local authority-owned marketing and communications agency in the UK and achieved industry recognition as such in 2016, winning the Chartered Institute of Marketing (CIM) Agency of the Year award.
- 3.3. Westco provides the following services:
 - 3.3.1. Communications consultancy, which includes audits of communications, narrative development, strategy, media training, board-level advice and guidance. (Estimated 10% of turnover).
 - 3.3.2. Interim/managed placement of communications professionals, such as heads of communications, media, internal communications, marketing and digital specialists. (Estimated 60% of turnover).

- 3.3.3. Digital marketing, including strategy, content, analytics and media buying via partnerships. (Estimated 10% of turnover).
 - 3.3.4. Research and engagement, including qualitative and quantitative research services, evaluation, data visualisation, consultation, engagement and event management. (Estimated 7% of turnover).
 - 3.3.5. Creative services, including branding, content and graphic design. (Estimated 13% of turnover).
 - 3.3.6. Academy training, including thought leadership events, live online, pre-recorded and in-person training (see Appendix 4 for a list of thought leadership and training activities in 2021).
- 3.4. Westco has had a close working relationship with its parent body with strong representation over time on its board from Cabinet Members, Elected Members, Executive and Directors. The agency responded to an invitation from WCC to provide creative services and community engagement services at cost and below market value. Westco is now undergoing significant change as WCC drives more value by restructuring its communications and engagement functions and competitive tendering of marketing and creative campaigns (Creative Services Framework).

4. 2021/22 performance - April to September

- 4.1. For the financial year 2021/22 Westco set a turnover target of £3.8m and a break-even profitability target due to the forecast impact of the WCC Communications and Engagement restructure and the impact of the pandemic.
- 4.2. Table 1 below shows performance during the first 6 months of the financial year against targets.

Table 1 -2021/22 Performance up to end of September 2021

Description	Target (half year)	Achieved	% variance
Turnover	£1.9m	£2.18m	14%
Profitability	Break even	£0.098m	n/a
New sales	£0.6m	£0.779m	29.8%

- 4.3. While the impact from the WCC restructure and the pandemic has been significant, increased turnover and profitability from new services launched in this financial year and improved performance on existing clients (see Appendix 3, list of clients) resulted in the agency exceeding its set targets. During the first half of the year, Westco generated a turnover of £2.179m exceeding by 14% its set turnover target. The agency also generated a profit of £97,867 exceeding its break-even target for this period.
- 4.4. During the first half of the 2021/22 financial year, Westco operated in a challenging environment due to the COVID-19 pandemic and the restructure of the communications department within WCC.
- 4.5. The pandemic severely affected Westco research and insight services as fieldwork ended abruptly from the first lockdown in March 2020 due to social distancing regulations and requirements. Our mainstay products pipeline, such as consultation and resident surveys, collapsed, and we had to pivot quickly to delivering online services. The agency successfully achieved with some notable projects, but the pipeline of external clients for online services did not replace the lost revenue. The pandemic resulted in a 92% reduction in research and insight services turnover compared to the 2019/20 financial year.
- 4.6. Creative services were also impacted by the pandemic, as public health took precedence over new business development. Westco prioritised design work for WCC to ensure our parent company had the resources needed. This included award-winning campaigns such as the 'Sight See Crowd Free' and 'Opening up the City'. As the work on the pandemic reduced, we have found a lag in building up other client work.
- 4.7. Although for both service areas the financial impact was severe, Westco took the decision not to apply for the government's furlough scheme in line with Cabinet Office guidance for public sector organisations (and those owned by public sector organisations) during the pandemic. The agency also took the decision not to make any redundancies during this time as we reviewed the changing landscape and protected our workforce.
- 4.8. As WCC restructures its communications and engagement services to meet financial challenges, Westco professional placements within the council has been reduced by 42%, and this is expected to reduce further.
- 4.9. To mitigate the impacts of the pandemic and WCC restructures, Westco proactively developed and launched three new service areas in the last year:
- 4.9.1. **Campaign Hub:** We developed digital marketing capabilities quickly to meet emerging needs in the sector, including media buying, through our partnership with the Council Advertising Network (CAN). This innovative

hub approach brings councils together to address common communications issues. Westco develops free campaign strategies, resources, pools budgets, develops media buying strategy and shares analytics on the effectiveness of digital marketing campaigns.

4.9.2. **Westco Works:** We increased our placement of expert communications specialists to external clients to support both emergency requirements (e.g., resources to support a council's response to the pandemic) and emerging areas of practice (e.g., digital experts).

4.9.3. **Westco Academy:** We increased the volume and standard of thought leadership, networking and training services to public and third sector communicators through the Westco Academy. More than 800 people attended Westco Academy events in 2021, as shown in Appendix 4

4.10. As outlined in Appendix 1 to this report, performance across these three areas exceeded financial and developmental targets allowing Westco to mitigate lost revenue and exceed its set targets for the first half of the financial year 2021/22.

5. Forecasted performance for the next six months

5.1. While performance in the first six months has been strong, Westco expects a challenging second half of the year due to the outlined reasons below.

5.2. In the second half of the year, the agency expects a further impact on its turnover and profitability from the review of community engagement services across WCC and the council's Creative Services Framework launch. Based on limited information, particularly in relation to the review of community engagement services, we expect most community engagement services to cease and creative services to reduce up to 40%. These changes will result in an overall reduction of 90% in services provided by Westco for WCC.

5.3. As we move from a pandemic to an endemic response, the agency also expects a reduction in COVID-19 related local authority campaigns. While the agency is already promoting our Campaign Hub offer with campaigns on other pressing issues such as social worker and foster carer recruitment, we expect a reduction in turnover and profitability in COVID-19 related work.

5.4. Profitability and turnover performance placing interim specialists in-house with existing and new clients, is expected to continue along similar lines as in the first half of the year. However, it is worth noting that sourcing interim specialists is becoming increasingly challenging due to increasing day rates and fewer professionals in the market. This potentially presents new opportunities to

WCC to offer strategic, interim developmental opportunities to its staff should this be consistent WCC's workforce development objectives.

6. Workforce development

- 6.1. Westco measures employee satisfaction and wellbeing through quarterly surveys on various topics based on industry best practices. Westco currently has a workforce of 49 people. The latest survey was completed in November 2021 by 33 employees and reported a very positive picture. Key performance indicators are set out below with the full report available on request.
- 6.2. 91% report that they enjoy working for Westco,
- 6.3. 91% reported that Westco respects individual differences, with all respondents reporting that they feel they are treated fairly and with respect at Westco
- 6.4. All respondents reported that they have a clear understanding of Westco values,
- 6.5. 97% have a clear understanding of Westco's objectives,
- 6.6. 97% have a clear understanding of Westco quality standards,
- 6.7. All respondents reported that their manager is open to their ideas,
- 6.8. 94% reported that they are able to access the right learning and development opportunities for their role.
- 6.9. While performance against most employee satisfaction and wellbeing indicators was strong, the survey identified areas of further development or challenge particularly around pay, benefits and work-pressure as the below results suggest.
 - 46% feel that their pay adequately reflects performance,
 - 40% feel that they are satisfied with the total benefits package/feel their pay is reasonable compared to others doing a similar job,
 - 70% report they are comfortable with the pressure placed on them by their job,
- 6.10. In the next half of the financial year, Westco intends to discuss issues raised above within the agency and with WCC as a shareholder. Westco, like all

agencies within our sector, has a challenge over the next year to attract, retain and nurture the best communications specialists in the sector.

Key risks

- 6.11. Appendix 2 sets out the key risks identified for the remainder of the financial year. Each risk has been allocated an owner and is subject to a structured management process overseen by the agency's Managing Director.

Conclusion

- 6.12. Westco has performed strongly in the first half of the financial year exceeding expectations and targets across all financial, business and workforce development areas. Strong performance was driven by the successful design and rollout of new services that were quickly adopted by our target market. During this period, Westco has helped a significant number of local authorities and NHS organisations address challenges presented by the pandemic, such as increasing vaccination rates and encouraging mass testing where this was needed. The agency was able to recover lost income and profitability resulting from reduced work for Westminster City Council by generating more income from services provided to external clients.
- 6.13. While the first half of the year exceeded expectations, the agency recognizes that significant risks remain particularly from a further reduction in work commissioned by Westminster and reduction of pandemic management budgets across our client base. The agency forecasts that while profitability performance may reduce in the next 6 months, we will be able to maintain a profitable position by the end of the financial year which is above the forecast.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

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