



City of Westminster Committee Report

Meeting or Decision Maker: Shareholders Committee

Date: 17 March 2022

Classification: General Release

Title: Westco Business Plan, 2022/23

Wards Affected: All

Key Decision: No

Report of: Westco Managing Director and Westco Chairman

1. Executive Summary

- 1.1. This report presents to Westminster City Council's (WCC) Shareholder Committee the summary of the agency's business plan for the financial year 2022/2023.

2. Recommendations

- 2.1. The Shareholder Committee are asked to note this report and approve the Business Plan for 2022/23.

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 and providing Westminster City Council with communications, research and engagement services for critical projects and services as required. 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. 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's workforce remains committed to the agency's mission and objectives. In the latest staff survey completed in November 2021, more than 90% of Westco employees reported that they enjoy working for Westco, that they have a clear understanding of values, objectives, and quality standards and that they are treated fairly and with respect. Only 40% however reported that they are satisfied with remuneration/total benefits package, an area Westco scores consistently low across staff surveys and a key driver of staff turnover particularly in the current employment market.
- 3.4. Westco provides the following services:
 - 3.4.1. Communications consultancy, which includes reviews of communications functions, narrative development, strategy, media training, board-level advice and guidance. (Estimated 10% of turnover).
 - 3.4.2. Interim/managed placement of communications professionals, such as heads of communications, media, internal communications, marketing and digital specialists, including outsourced communications contracts. (Estimated 60% of turnover).
 - 3.4.3. Digital marketing, including strategy, content, analytics and media buying via partnerships. (Estimated 10% of turnover).
 - 3.4.4. Research and engagement, including qualitative and quantitative research services, evaluation, data visualisation, consultation, engagement and event management. (Estimated 7% of turnover).

3.4.5. Creative services, including branding, content and graphic design. (Estimated 12% of turnover).

3.4.6. Academy training, including thought leadership events, live online, pre-recorded and in-person training

4. Summary of performance for the financial year 2021/22 (Q1-Q3)

4.1. For the financial year 2021/22 (Q1-Q3) Westco set a turnover target of £3.8m and a break-even profitability target. This reflected the expected impact of the WCC Communications and Engagement restructure, and the ongoing impact of the pandemic.

4.2. Table 1 below shows performance during the first 9 months of the financial year against set targets.

Table 1 2021/22 Performance up to end of the end of Q3

Description	Target (Q1-Q3)	Achieved	% variance
Turnover	£2.85m	£3.17m	+11.2%
Profitability	Break even	£97,881	
New sales	£0.9m	£1.28m	+42%

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 resulted in the agency exceeding its set targets. During Q1-Q3, Westco generated a turnover of £3.17m exceeding by 11.2% its set turnover target. The agency also generated a profit of £97,881 exceeding its break-even target for this period.

4.4. During this period, Westco operated in a challenging environment due to the COVID-19 pandemic and the restructure of the communications department within WCC. To mitigate the impacts of the pandemic and WCC restructures, Westco proactively developed and launched three new service areas in the last year which were further developed in this financial year:

4.4.1.**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.

4.4.2.**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). We are also in discussions with existing clients to develop more formal and longer-term partnerships supporting them with their longer term aspirations for communications and engagement.

4.4.3.**Community engagement:** following the restructure of the Communications team at WCC, much of the Westco capability serving WCC with Communications and Engagement services changed employment or remained in roles out of scope of the review. The lead Director previously leading our WCC team has been responsible since the review for the development of a community engagement practice for external clients. In the third quarter of this financial year Westco secured its first external clients for community engagement services.

4.4.4.**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.

4.5. Activity across these areas exceeded financial and developmental targets allowing Westco to mitigate lost revenue and exceed its set targets for the three quarters of the financial year 2021/22. The development of new capabilities in these areas and their successful commercialisation, over and above core contracts.

5. Summary of the business plan for the financial year 2022/23

5.1. Westco is committed in its mission to “improve people’s lives through strategic communications, challenge the status quo and push at the boundaries of innovation”. Based on this mission, the 2022/23 business plan will be based on leveraging innovative work that has generated both financial returns and required social impact this financial year. Key targets for the financial year 2022/23 include:

5.1.1. Maintaining turnover to 2021/22 levels (£3.8m or above). Westco is aiming to maintain rather than increase its turnover due to further forecast reductions in the turnover generated from services to Westminster City Council.

5.1.2. Increase our sales target to external clients to mitigate reduced turnover from Westminster City Council and strengthen our external client base, particularly Campaign Hub and “Westco Works” clients.

5.1.3. Reduce an increased risk of staff turnover particularly in critical delivery and management positions by exploring retention strategies including the possibility of establishing alternative governance models that provide employees with ownership in their work (e.g. Mutuels).

5.2. Appendix 1 lists financial targets for 2022/23.

5.3. The agency is developing a delivery plan to enable it achieve objectives set out in the business plan, based on the below priorities:

5.3.1. Improving new business development capabilities to strengthen partnerships with existing clients and establishment of new client relationships in our target markets.

5.3.2. Professionalisation of innovative services such as Westco Works, the Campaign hub and Westco Academy by developing the procedures and processes needed to allow for growth in the financial year 2022/23.

5.3.3. Development of our workforce through the implementation of a retention and talent development strategy and the review/assessment of alternative governance models that support long term employee commitment, retention and development.

5.3.4. Strengthening of our financial management and reporting procedures to reflect the development of Westco from an agency with distinct practices to a more integrated one bringing all services together to support client needs.

5.3.5. Strengthening our governance by proposing to the Shareholders’ committee the appointment of non-Executive Directors.

5.4. A draft business plan is provided to the Committee as Appendix 2 to this report. The committee should note that the business plan will be reviewed and updated at the end of this financial year and will be subject to ongoing, quarterly reviews and updates throughout the new financial year.

Key risks

5.5. Appendix 3 sets out the risks identified as key to the delivery of the 2022/23 business plan based on current assumptions. Each risk has been allocated an owner and is subject to a structured management process overseen by the agency’s Managing Director.

Conclusion

- 5.6. Westco has performed strongly in the first three quarters of the financial year 21/22 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.
- 5.7. The agency is developing its business plan for the financial year 2022/23 in the context of strong performance with external clients and the successful launch of innovative campaign and resourcing services in this financial year. Despite ongoing uncertainties and challenges within our public sector communications sector, the agency aims to increase the impact it generates for its clients and the people they serve in the next year and by doing so, strengthen its market positioning and performance. Employee retention and talent attraction however are currently perceived as the biggest risks the agency faces in the context of an increasingly mobile workforce and talent competition. Resolving these risks will be key in the agency delivering its aspirations for the financial year 2022/23 and beyond.

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

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