

Report to	Performance Scrutiny Committee
Date of meeting	26th January 2023
Lead Member / Officer	Cllr Elen Heaton / Ann Lloyd
Head of Service	Ann Lloyd
Report author	Ann Lloyd / Nick Bowles
Title	Cefndy Performance Report 2022-23

1. What is the report about?

1.1. This report is providing an overview of the current performance of Cefndy within this financial year and the market conditions within which it is operating.

2. What is the reason for making this report?

2.1. To provide an updated report on Cefndy's performance during the 2022 – 2023 financial year.

3. What are the Recommendations?

3.1. That the Committee analyses the performance of Cefndy as a commercial service within Denbighshire County Council and scrutinise as necessary.

4. Report details

4.1. There has been significant disruption and cost volatility to global supply chains since the start of the Covid pandemic, increasing Cefndy's competitiveness against imports. This has impacted positively with sales increasing with existing customers and has seen some additional business with new customers.

4.2. A detailed analysis of sales and costs are provided in Appendix 1 covering the 2021 / 2022 and 2022 / 2023 financial years. *Appendix 1 is exempt from public*

disclosure by virtue of paragraph 14 of Part 4 of Schedule 12A of the Local Government Act 1972.

- 4.3. Cefndy has experienced some unforeseen budget pressures during this financial year which are detailed in Appendix 1, and include additional energy costs, higher than expected salary increases and emergency building repairs.
- 4.4. To help stabilise the service there has been a lot of work going on over the last 18 – 24 months, resulting in several of Cefndy's operational processes being reviewed, achieving closer alignment to the rest of the Council's practices with clear roles and responsibilities and open and transparent practice implemented. A significant amount of work has gone into engaging and working closely with Corporate services such as Finance, HR, Procurement and ICT.
- 4.5. Feedback received from one of our largest customers is that Cefndy should be building on the fact we are a British Manufacturer, delivering social value. As a result of this advice, Sian Owen, Principal Manager, Strategic Marketing run a session to support the team in developing an action plan around increasing business to business trade with existing customers. There are 5 large customers with whom we will explore development opportunities to increase sales with them. We are also looking at opportunities to re-ignite relationships with previous customers based on the current market opportunities and our ability to compete (on a range of products) with imports.
- 4.6. There are some vacant posts within Cefndy and this is giving us the opportunity to review the business model to ensure that the resources we have are: doing the right job at the right grade; focussing on the areas of most importance for Cefndy which is maximising sales and effectively managing costs; and allow us to undertake succession planning for the future workforce. As well as, ensuring a sustainable future for Cefndy as a supported business providing employment opportunities for disabled people and those disadvantaged in the workplace.
- 4.7. The Service Manager is working closely with our Strategic Assets Team as the building now needs significant repairs carried out, an Extraction system needs replacing to reflect changes in H&S legislation and some equipment is past its serviceable life with spare parts no longer being available. A business case is currently being developed to take to Strategic Investment Group for circa

£400K, this includes £267K costs to address building repairs, following a building survey, £30k to remove 2 offices and develop further warehousing facilities and circa £100K to install a new welding extraction system that will meet H&S requirements and replace existing dated welding kits.

5. How does the decision contribute to the Corporate Themes?

- 5.1. Cefndy contributes to A Prosperous Denbighshire by providing supported employment opportunities for local disabled people who would otherwise struggle to find employment. Many staff have worked in Cefndy for a very long time with the average length of service being 17 years.
- 5.2. For the disabled staff in Cefndy there is additional support and reasonable adjustments made to allow them to carry out their roles. By being a supportive employer Cefndy contributes to A Healthier, Happy, Caring Denbighshire, developing resilience, maintaining well-being and giving people real work opportunities.
- 5.3. We support the development of the staff and look to promote from within wherever possible to retain the skills, knowledge and experience that has been provided to the team. Many of our management team have been supported to learn and grow within their roles, allowing them to apply for higher graded posts, thus contributing to A Learning and Growing Denbighshire

6. What will it cost and how will it affect other services?

- 6.1. Currently Cefndy does not receive budget from Denbighshire and is expected to cover its costs through the commercial activity that it undertakes. However as detailed in paragraph 4.5, the service is likely to have a budget pressure in this financial year. More detail is provided in Appendix 1.

7. What are the main conclusions of the Well-being Impact Assessment?

- 7.1. A well-being Impact Assessment is not required for this report.

8. What consultations have been carried out with Scrutiny and others?

8.1. As this is an information report, no consultation has been carried out.

9. Chief Finance Officer Statement

9.1. It is really welcome to see the progress that Cefndy has made over the last year or so. The modest shortfall projected for 2023/24 has been factored into the overall pressure for Adult Social Care budgets.

10. What risks are there and is there anything we can do to reduce them?

10.1. Cefndy's biggest risk is market volatility and its ability to compete in the global market. During the last 3 years of the pandemic, Brexit and Global issues, opportunities were created which meant Cefndy gained a competitive edge in relation to imports. However, the import market is stabilising and we are starting to see orders return to pre-pandemic levels. To mitigate this, we are reviewing our marketing strategy and brand, focussing on customer relations and looking to increase sales with our existing customer base.

11. Power to make the decision

11.1. Scrutiny powers with respect to this matter are set out in Section 21 of the Local Government Act 2000 and Section 7.4.2(b) of the Council's Constitution