



BUSINESS SUPPORT OVERVIEW & SCRUTINY COMMITTEE

31 JANUARY 2017

MEDWAY COMMERCIAL GROUP LIMITED FIRST YEAR QUARTER 2 REPORT

Report from: Richard Hicks, Director of Regeneration, Culture, Environment and Transformation

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Summary

This report outlines Medway Commercial Group (MCG) Limited's achievements and performance up to the second quarter in its first year of trading, and its plans for future growth and development. As the report demonstrates, MCG is thriving under the strategic leadership of the Chairman, the Board and its senior leadership team. MCG continues to go from strength to strength.

1. Budget and Policy Framework

1. In November 2015, Cabinet agreed to commence and establish the Alternative Delivery Model for the Medway Council Control Centre (MCCC), being a Local Authority Trading Company (LATC), with Medway Council being the Majority Shareholder and to commence trading from 1 April 2016.
2. MCG is now responsible for delivering CCTV, Telecare, Out-of-Hours, Lone Worker solutions and other Personal Alarm services.
3. As part of the governance arrangements, performance reports will be submitted to Cabinet on a quarterly basis. A performance report for the first quarter was presented to the Cabinet on 9 August and 20 December 2016.

2. **Background**

- 2.1. MCCC had distinct functions including CCTV Partnership, Telecare and Out-of-Hours.
- 2.2. Over the last five years, the management team at MCCC delivered efficiencies to reduce the cost subsidy to the current level. It was ascertained that any further reductions to the cost subsidy must come from growth through winning new business.
- 2.3. Creating a LATC was considered to be the best approach as it will have the flexibility to respond quickly to opportunities for growth. The newly established LATC was established via Companies House as Medway Commercial Group Limited (MCG); which has two subsidiaries:
 - A. Medway Public Services Limited – To trade with the Public Sector, and;
 - B. Medway Commercial Services Limited – To trade with the Private Sector.
- 2.4. The above LATC model is an innovative response to protecting a non-statutory but greatly valued service by creating a commercial legal entity that benefits taxpayers both in terms of the service that will continue to be provided and the income that it will generate for Medway Council.

3. **Review of first quarter trading**

3.1. **Governance**

- 3.1.1. The Company's Board of Directors comprises one Executive Director of MCG and three Non-Executive Directors — all representatives from the Council. The Council's representatives are: Councillor Andrew Mackness (Chair of the Board), Martin Garlick, Head of Customer Contact, Community Hubs and Libraries, and the Assistant Director of Frontline Services. The Board is responsible for the overall performance of the joint venture.

3.2. **Summary of operations**

- 3.2.1. During the transitional period (10 November 2015 – 31 March 2016), MCG's Senior Management team ensured a smooth transfer of the services into the commercial operation. Different work streams took place to successfully meet the 'go-live' date of 1 April 2016, which included Finance, HR, IT and Legal. MCG's Senior Management team worked very closely with Medway Council's internal teams to ensure the smooth transition of services.
- 3.2.2. All new business leads, enquiries and potential ideas are being successfully managed by the MCG Business Development Team. The key successes during quarter 2 have been:
 - Continuing to progress in promoting Telecare through a permanent office within the Medway NHS Foundation Trust Hospital – working with the Home First team, utilising Telecare, allowing prompt hospital discharge. This has resulted in a steady growth of Telecare connections.

- Steady growth of Telecare referrals from Medway Council Adult Social Care.
- Steady growth of Telecare referrals from Private Clients within Kent.
- Expansion on the use of Rapid Deployment CCTV within commercial establishments.
- CCTV Capital Projects – Kent County Council Highways regeneration (Gravesham Rathmore road scheme and Maidstone Cobtree park schemes).
- Key relationships being developed with Public and Private Sector organisations, enabling MCG to reach out to a wider audience.
- Developing a key business development relationship between MCG and Medway Norse. This has the potential to increase the market share for both organisations.

3.2.3. During quarter 2, MCG has completed all transition work streams, including Legal, Financial, HR, ICT framework and a new bespoke digital telephony system.

3.2.4. After Medway Council's Health & Safety (H&S) visit all essential building works to reconfigure the site have now been successfully completed.

3.2.5. Bespoke MCG branding is being installed throughout the premises, enhancing the corporate image.

3.3. **The workforce – creating local employment**

3.3.1. The current workforce consists of 41 FTEs, making MCG a reasonably-sized local employer.

3.3.2. It is envisaged that as the business within MCG develops, further employment opportunities will be created, enhancing local employment prospects.

3.3.3. The Consultation Period, which ended at the end of quarter 2, went smoothly. The Organisational Change project commenced at the end of quarter 2, and will be completed during quarter 3. This will realign the workforce, from a service delivery oriented structure to a business delivery operating structure.

3.4. **The corporate client function**

3.4.1. Regular meetings take place between the MCG team and the corporate client representatives to fully understand their service needs and to establish an effective working relationship. The outcomes and actions arising from these meetings are continuing to form the basis for the development of service management action plans.

3.4.2. Corporate Client responsibility for CCTV now lies with the Head of Safer Communities, Tim England.

3.4.3. Corporate Client responsibility for Telecare lies with the Head of Better Care Fund, John Britt.

3.4.4. In addition, service managers can raise day-to-day service issues directly with MCG.

3.5. Rebate (income/reduction in cost subsidy) for the Council

3.5.1. For 2016/17, MCG had previously projected a reduction in cost subsidy from Medway Council of £57,900. However, MCG is currently forecasting that it will exceed this projection by approximately 30%, making the total cost subsidy reduction £75,000 — in MCG's first year of trading — for Medway Council (which the Council will receive). In addition, there will be a further contribution to Medway Council in the form of SLAs, amounting to £135,000.

3.5.2. MCG is on target to achieve its agreed accumulated savings for the next two financial years (2016/17 and 2017/18).

3.6. Quarter 3 (October 2016 – January 2017) Priorities

3.6.1. During quarter 3, an external development / training / mentoring organisation will continue to work with MCG; one of the key points of focus being the 'Leadership Development Programme' for the CEO, enabling him to strategically lead the organisation. Whilst working closely with the external organisation, any other individuals, teams or organisation developments will also be considered.

3.6.2. Continuing to work closely with other Public/Private sector organisations to develop a strategic partnership with MCG.

3.6.3. Continuing to work strategically with Civica to enable MCG to offer its services nationwide.

3.6.4. Continuing to work jointly with Medway Norse to win potential joint work.

3.6.5. Networking with other Public Sector organisations to increase business opportunities for MCG.

3.6.6. Engaging with Private Sector clients to enhance MCG business opportunities.

3.6.7. Developing key marketing strategies, specifically relating to each MCG business area.

3.6.8. Maximising efficiencies and the effectiveness of MCG operations through the introduction of lean processes and systems.

3.6.9. Investment in research and development to ensure that the most appropriate and competitively priced technology is introduced within MCG, resulting in MCG staying ahead of its competitors.

3.6.10. Cabinet on 17 January 2017 agreed proposals to transfer the following services from Medway Council to stand alone subsidiaries of MCG:

1. Category Management Traded Services
2. Health & Wellbeing Traded Services
3. Staffing Agency – Traded Services Opportunity

4. **Legal, financial and risk implications**

- 4.1 There are no direct legal implications from this update report.
- 4.2 The Council's budget for 2016/17 has set an income target of £57,900, which will be exceeded as indicated above.

5. **Risk implications**

- 5.1 There are no risks identified during or at the end of quarter 2. MCG has a Corporate Risk Register in place which is regularly monitored by the MCG Board.

6. **Recommendations**

- 6.1 It is recommended that the Committee note the achievements and performance of Medway Commercial Group Limited (MCG) for the second quarter of 2016, as detailed in the report.

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Appendices

None

Background papers

Cabinet Approval for the creation of an Alternative Delivery Model – report to Cabinet
24 November 2015

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=28936>