



CABINET

10 APRIL 2018

MEDWAY COMMERCIAL GROUP LTD SIX MONTHLY REPORT

Portfolio Holder: Councillor Andrew Mackness, Children's Services,
(Lead Member)

Report from: Carrie McKenzie, Assistant Director, Transformation

Author: Ian Price, Medway Commercial Group Limited

Summary

This report outlines Medway Commercial Group (MCG) Limited's achievements and performance over the past six months (1 October 2017 – 31 March 2018), and its plans for future growth and development. As the report demonstrates, MCG continues to grow and establish itself, under the strategic leadership of the Board, Senior Management Team.

1. Budget and Policy Framework

- 1.1 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.
- 1.2 MCG is now responsible for delivering CCTV, Telecare, Out-of-Hours, Lone Worker Solutions and other Personal Alarm Services, Schools Traded Services, Schools Governance Services, Schools Human Resources (HR) and Temporary, Contract and Interim staffing. A new Automatic Number Plate Recognition system has been designed and deployed at a number of sites and is looking to be a key area of expansion.
 - 1.2.1 There is currently an immediate plan to migrate Schools Health and Safety in to MCG. There are also ongoing discussions in relation to the delivery aspects of Schools HR and Payroll services.

1.2.2 MCG is also seeking to deliver additional revenue streams through the development of the schools traded services through areas of essential spend. These include Networks, Energy, Waste, Resourcing and Statutory functions.

1.3 As part of the governance arrangements, performance reports are submitted to Cabinet on a six monthly basis.

2. Background

2.1 MCCC initially 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. MCG is seeking to develop external business in a number of areas, with predominant focus on utilisation of Teckal

3. Review of trading

3.1 Governance

3.1.1 The Company's Board of Directors comprises one Executive Director of MCG (Ian Price) and two Non-Executive Directors. The Council's representatives are: Councillor Andrew Mackness (Chair of the Board), Carrie McKenzie, Assistant Director, Transformation. The Board is responsible for the overall performance of the joint venture. The company has appointed a Company secretary / legal professional who will join the board in May 2018, the role will incorporate the Data Protection elements required under GDPR and will also ensure trading income is maximised through the two trading arms.

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, reviewing the status of some operations and undertaking a workforce reduction in Schools Traded services. 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 this trading period 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, including Private Pay where margins are at a higher level. Currently average connections are in situ for approximately 28 months.
- MCG has recently reduced its emphasis on some larger Corporate Accounts, where margins are low and impact upon the Control Centre is large, focussing on better margin and customer service for Medway Council users and direct pay customers.
- Extensive work is being undertaken within the Telecare arena to upgrade the software system to give MCG a Unique Selling Point (USP) in the marketplace with PNC8 which includes a full Customer Relationship Management (CRM) and Finance suite due to be deployed by June 2018, allowing further efficiency led growth of Telecare referrals from Medway Council Adult Social Care and the Hospital Teams along with targeted growth of Telecare referrals from Private Clients within Kent.
- MCG has also focussed on the expansion on the use of Rapid Deployment CCTV within commercial establishments, the Rochester Riverside site was recently enabled
- CCTV Capital Projects – Continuing with Kent County Council Highways and Waste teams, along with Regeneration Program (Gravesham Rathmore Road Scheme and Maidstone Cobtree Park Schemes).
- MCG is targeting Landfill and Inert waste sites with ANPR Technology to ensure maximisation of income to the authority
- Key relationships continue to be developed with Public and Private Sector organisations, enabling MCG to reach out to a wider audience.
- Focus will also be placed on further enhancing the key business development relationship between MCG and Medway Norse. This has the potential to increase the market share for both organisations, though will require officer support.
- An agreed regime in monitoring of Safer Medway Partnership (SMP) radios has aided the Control Centre efficiency with SMP now being satisfied with the service which is not funded.
- Integration of TUPE transfers from Schools Traded Services, Governor Services and the HR / Temp team, though margins have not been as expected.

- Aburound House purchase will be completed by 31 March 2018. Planning permission will then be submitted. The site will require clearance, demolition of the existing building and minor remediation. Construction is likely to commence in October / November of 2018. Medway Council will be receiving 6% interest on loans to the company for the period of borrowing.

3.2.3 During this trading period, MCG has completed all transition work streams, including Legal, Financial, HR, ICT framework and an upgrade to its existing Finance System (Sage 50 to Sage 200). A new finance team is in place with much improved management accounting evident

3.2.4 MCG now has its own in-house Health & Safety (H&S) team which is undertaking a full review of all policies.

3.2.5 The Telecare administration team will relocate to offices on the 2nd floor of the Innovation Centre giving Medway Council circa £32k of annual rental income, a further bid has been made for the Elaine Centre, and is awaiting approval from the Property team.

3.2.6 Bespoke MCG branding has been installed throughout the premises, enhancing the corporate image.

3.2.7 Financial information for 2017/2018 is set out in Appendix 1 to the report.

3.3 **The workforce – creating local employment**

3.3.1 The current workforce consists of 77 FTEs, along with circa 40 FTE (Temps) 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 Further growth is anticipated through the Ocelot operating model, though negative margins are currently being experienced in this area.

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. This forum will also allow for the review of other services that may need to be transferred in to the LATC

3.4.2 Corporate Client responsibility for CCTV now lies with the Head of Safer Communities, Tim England, though this will be amended due to re-organisation within the Frontline team.

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 2017/18, MCG is predicting a surplus of circa £254,000 for this financial year. MCG has also provided MC with circa 7/12ths of £254k annualised savings on transferring revenue streams which are extra over savings to the rebate

3.5.2 MCG is on target to achieve its agreed accumulated savings for the next two financial years.

3.6 Ongoing Priorities

3.6.1 Development of a new facility for the whole company to be housed in the same building.

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 / Huawei / I Comply to enable MCG to offer its services nationwide. A Joint Venture meeting with Bristol is scheduled for 16 April.

3.6.4 Continuing to work jointly with Medway Development Company, Medway Norse, Norse Commercial Services and other LATC's to win potential joint venture 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, including implementation of CRM.

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.

4. Legal, financial and risk implications

4.1 Legal implications

4.1.1 There are no legal implications arising from this update report.

4.2 Financial implications

4.2.1 The Council's budget for 2017/18 has set an income target of £254,000 which will be achieved as indicated in paragraph 3.5.

4.3 Risk implications

4.3.1 There is one risk identified during or at the end of this trading period, with regards to the current framework of contract staffing needs where in particular the recruitment of high quality social care professionals is becoming increasingly difficult, due to both market and geographical positions. MCG has a Corporate Risk Register in place which is regularly monitored by the MCG Board.

5. Recommendation

5.1 It is recommended that the Cabinet note the achievements and performance of Medway Commercial Group Limited (MCG) for the six month period 1 October 2017 to 31 March 2018.

6. Suggested Reasons for Decision

6.1 When Cabinet agreed to establish the LATC it was also agreed that regular monitoring reports would be provided to Cabinet.

Lead officer contact

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Appendices

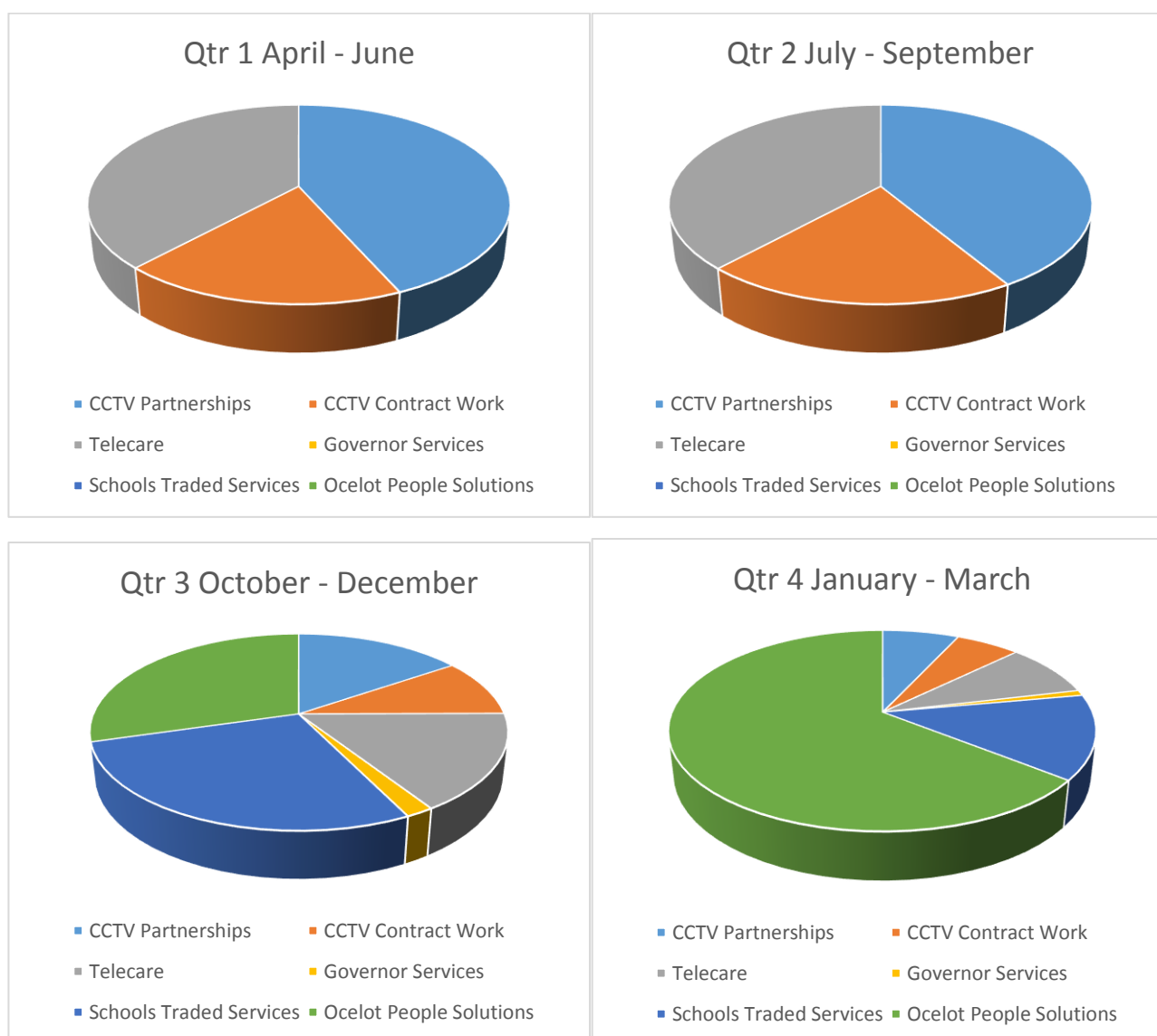
Appendix 1 – Financial Information

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>

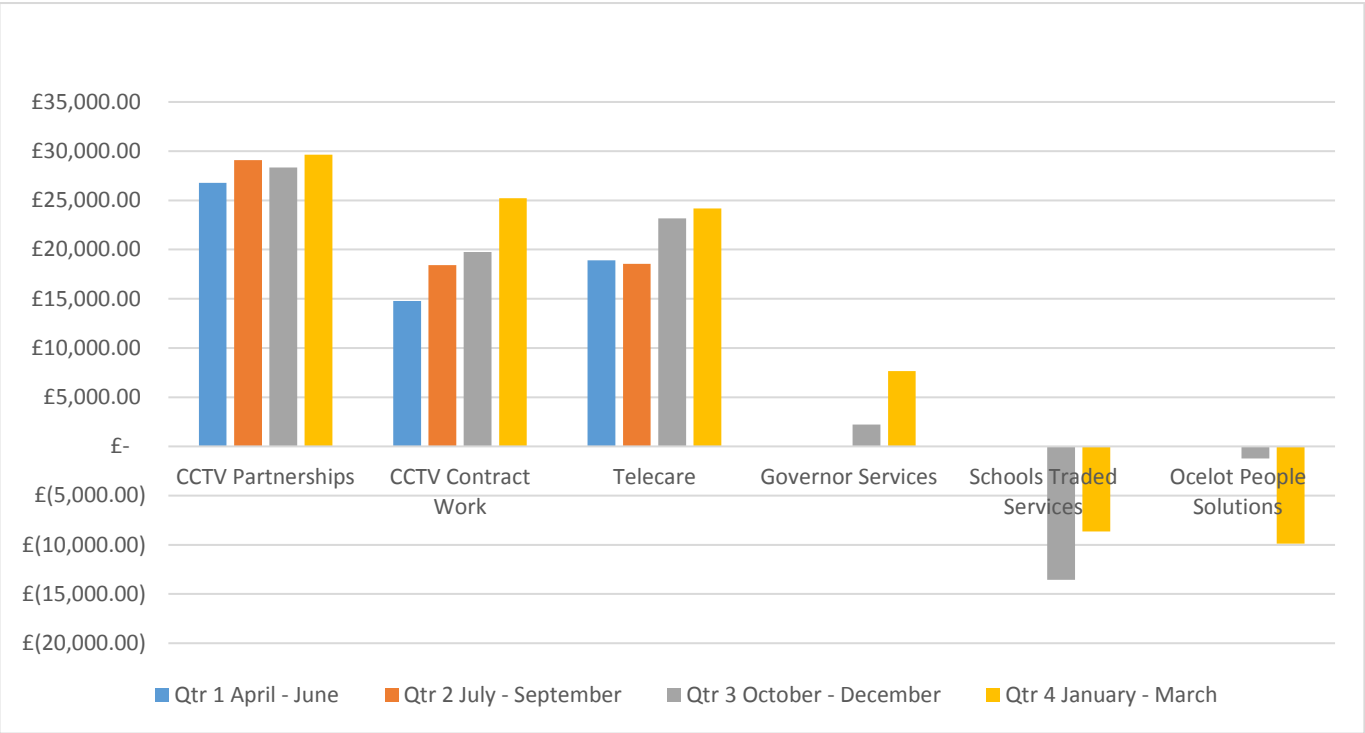
Sales by Quarter



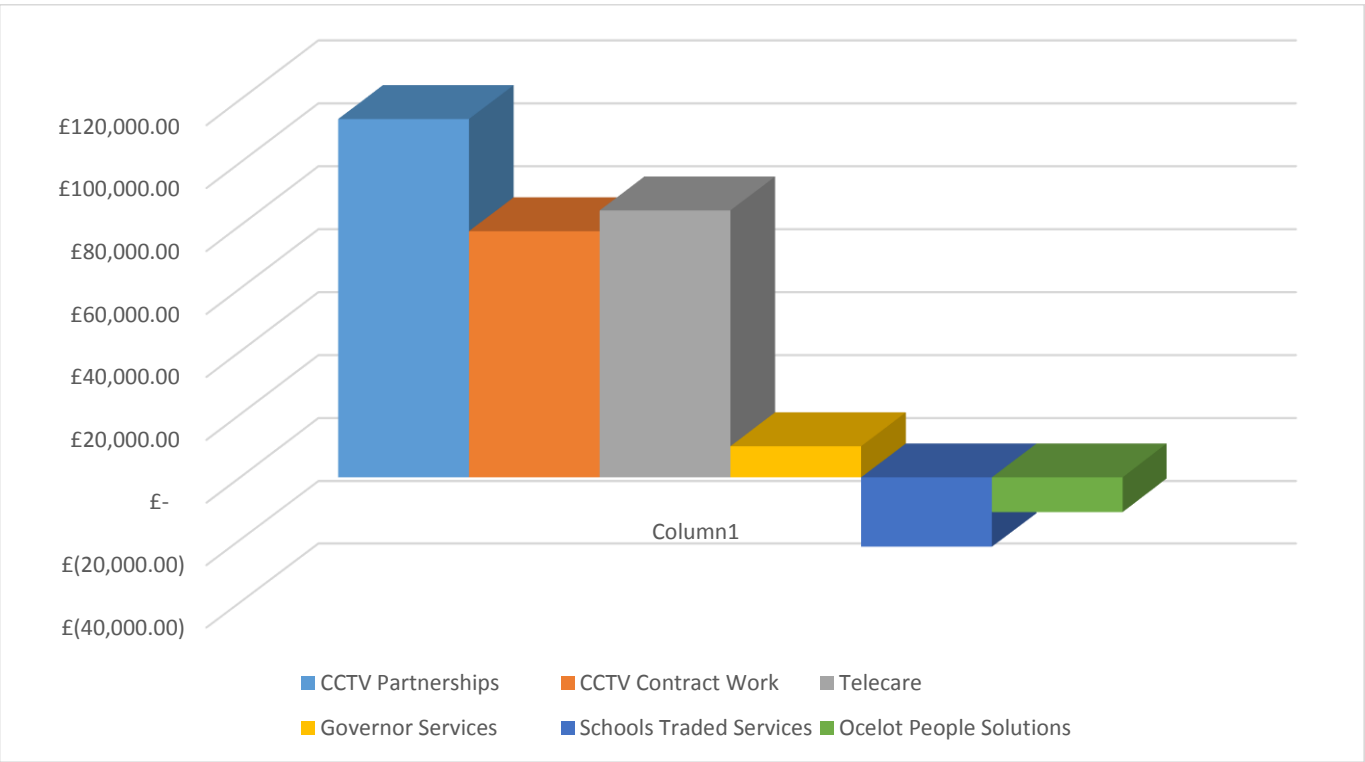
Product	Qtr 1 April - June	Qtr 2 July - September	Qtr 3 October - December	Qtr 4 January - March
CCTV Partnerships	£ 231,786.00	£ 231,786.00	£ 231,786.00	£ 231,786.00
CCTV Contract Work	£ 98,765.00	£ 113,487.00	£ 141,876.00	£ 195,476.00
Telecare	£ 203,743.00	£ 213,876.00	£ 238,976.00	£ 288,765.00
Governor Services	-	-	£ 27,808.00	£ 29,333.00
Schools Traded Services	-	-	£ 416,765.00	£ 457,444.00
Ocelot People Solutions	-	-	£ 442,875.00	£ 2,165,333.00

** Qtr 4 figures are based on unaudited management accounts and forecasts

Profit by Quarter



Profit Annualised



Product	Qtr 1 April - June	Qtr 2 July - September	Qtr 3 October - December	Qtr 4 January - March	Column1
CCTV Partnerships	£ 26,766.00	£ 29,078.00	£ 28,346.00	£ 29,651.00	£ 113,841.00
CCTV Contract Work	£ 14,777.00	£ 18,434.00	£ 19,765.00	£ 25,223.00	£ 78,199.00
Telecare	£ 18,921.00	£ 18,543.00	£ 23,166.00	£ 24,176.00	£ 84,806.00
Governor Services	£ -	£ -	£ 2,232.00	£ 7,654.00	£ 9,886.00
Schools Traded Services	£ -	£ -	-£ 13,543.00	-£ 8,661.00	-£ 22,204.00
Ocelot People Solutions	£ -	£ -	-£ 1,232.00	-£ 9,888.00	-£ 11,120.00
Annualised Profits					£ 253,408.00

** Qtr 4 figures are based on unaudited management accounts and forecasts