



CABINET

20 NOVEMBER 2018

MEDWAY COMMERCIAL GROUP LTD SIX MONTHLY REPORT

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

Report from/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, 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 and continues grow.

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 (LATCo), 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 Call Centre
 - Lone Worker Solutions and other Personal Alarm Services
 - Schools Traded Services (Energy, Health and Safety, GDPR and ICT)
 - Schools Traded Services (Cleaning, Catering and Waste Management Compliance)
 - Schools Governance Services
 - Temporary, Contract and Interim staffing.
- 1.3. MCG is also seeking to deliver additional revenue streams through the development of the following services;
 - Schools Traded Services (schools outside of Medway) through areas of essential spend; e.g. ICT Networks, Energy, Waste, Resourcing and Statutory functions
 - Telecare Joint Venture based on new Technologies
 - Aburound House Redevelopment

- SEN School (Cornwallis site)
- Extra Care and Supported Living schemes
- Peak Power / Battery Storage (Power to grid to back up to existing service provisions)
- ICT and Smart Cities

1.4. Business cases in relation to these new business opportunities will be brought to Cabinet at the appropriate time, and performance will be monitored as part of revised governance arrangements with reports submitted to Cabinet on a six monthly basis.

2. Background

2.1. MCG initially had distinct functions including CCTV Partnership, Telecare and Out-of-Hours.

2.2. Over recent years management action has delivered efficiencies to reduce the cost subsidy to the current level. Particular reductions were evident from CCTV partners reducing camera stock and thus affecting overhead recovery, CSP grant reductions (£10k in 2016-17 and £20k in 2017-18). It was ascertained that any further reductions to the cost subsidy must come from growth through winning new business offsetting the reduced contract value. No RPI / CPI based uplifts were received. MCG invested over £28k during this period in a new software system with integrated technologies have markedly enhanced the Council's security, surveillance and monitoring capacity whilst reducing the number of personnel monitoring the systems.

2.3. Creating a LATCo was considered to be the best approach as it will have the flexibility to respond quickly to opportunities for growth. The newly established LATCo was established via Companies House as Medway Commercial Group Limited (MCG); which has two subsidiaries:

Medway Public Services Limited – To trade with the Public Sector; and
Medway Commercial Services Limited – To trade with the Private Sector.

2.4. The above LATCo 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.
Vikram Sahdev is a Director of Medway Commercial Services Limited only.
The board structure and representation is currently under review.

3.1.2. The Board is responsible for the overall performance of the joint venture. The company has also appointed a Company Group Solicitor (Morounfolu Olatuja) who joined the board in May 2018, without voting rights. The role incorporates the Data Protection

elements required under GDPR and will also ensure trading income is maximised through the two trading arms, whilst ensuring robust contracts are in place with both suppliers and clients.

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 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 27 months.

MCG has contributed to a range of positive outcomes including crucial assistance in helping save 11 lives during the first thirty months trading. New innovations in technology will further improve these outcomes.

- MCG has further reduced its emphasis on some larger Corporate Accounts, where margins are low and impact upon the Control Centre is large. Focus has been within the Hospital and the Discharge Team where MCG contributes extensively to reduce bed blocking and prolonged Hospital stays. Better margin and customer service for Medway Council users and direct pay customers is also evident through reduced customer numbers.
- MCG now has a Unique Selling Point (USP) in the marketplace with PNC8 (The Tunstall System) which includes a full CRM and Finance suite was deployed in August 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 and educational establishments.
- MCG has embedded a recruitment team within Broadside ensuring Children's service meets it's OFSTED requirements
- CCTV Capital Projects – Continuing with Kent County Council Highways and Waste teams, along with Regeneration Program.
- MCG will be project managing the new SEN School to be built at Cornwallis Avenue
- Key relationships continue to be developed with Public and Private Sector organisations, enabling MCG to reach out to a wider audience.

3.2.3. MCG is currently also working with the following Local Government, Education and other Public Sector organisations to assess if Joint Venture are possible: Kent County Council, Ashford Borough Council, Cardiff City Council, Enfield Borough Council, Basildon Council, States of Guernsey, University of Kent, Canterbury Christ Church University, University of Greenwich, University of Nottingham and the University of South Wales

- 3.2.4. 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
- 3.2.5. MCG now has its own in-house Health & Safety (H&S) team which is undertaking a full review of all policies.
- 3.2.6. MCG is due to submit a planning application for Aburound House within the next month or so to seek permission for a new Supported Accommodation Facility for vulnerable adults along with some residential dwellings.

3.3. The Workforce – Creating Local Employment

- 3.3.1. The current workforce consists of 66 FTEs, along with circa 54 FTE (Temps) making MCG a reasonably-sized local employer. MCG also sub-contracts approximately 212 further roles.
- 3.3.2. It is envisaged that as the business within MCG develops, further employment opportunities will be created, enhancing local employment prospects, including a minimum of 160 roles at the new SEN School (mainly with the Education provider)
- 3.3.3. Further growth is anticipated through MCG's people recruitment services by gaining external business, though negative margins are currently being experienced in this area as no uplifts are allowable on pass through costs to the service. Benefits to the service however are expected to be easily in excess of £0.5m.

3.4. The Corporate Client Function

- 3.4.1. Regular meetings take place between the MCG team and the various 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 LATCo
- 3.4.2. Corporate client responsibility for CCTV now lies with the Head of Regulatory Services, though this will be amended due to re-organisation within the Frontline team.
- 3.4.3. 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 the last financial year 2017/18, MCG exceeded its budgeted return to the Council by approximately £43,000. For the current financial year 2018/19, MCG will again meet the budgeted income contribution to the Council assisted by the business opportunities associated with Aburound House.
- 3.5.2. MCG will thus have exceeded its agreed accumulated savings for the last 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, whilst realigning CCTV Technology and ensuring it is fit for purpose within the Smart Cities agenda, though this is dependent on the authorities who own the infrastructure agreeing to the proposed process.
- 3.6.2. Continuing to work closely with other Public / Private sector organisations to develop a strategic partnership with MCG, reducing reliance on Medway Council income, whilst retaining Teckal compliance within the 80 / 20 ruling.
- 3.6.3. Continuing to work strategically with iComply to enable MCG to offer its services nationwide and also reduce local overheads
- 3.6.4. Continuing to work jointly with Medway Development Company, Medway Norse, Norse Commercial Services and other LATCos 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, 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. As MCG is expanding into other areas and additional Medway Council services integrating as standalone subsidiaries of the Group; the existing Medway Public Services Limited subsidiary (which provides all its current services to Medway Council and Public Sector Bodies), will continue to do so rather than MCG Ltd directly. Legal advice does suggest that some structural amendments to the board will be required, including further NED's and Independent Directors being appointed.
- 4.2. Financial implications
 - 4.2.1. For the current financial year 2018/19, MCG will return to the Council the budgeted income as reflected in the Council's approved revenue budget.
- 4.3. Risk Implications
 - 4.3.1. There is one risk identified during or at the end of this trading period. This relates to the current framework of contract staffing where in particular the recruitment of high quality social care professionals remains extremely 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. Recommendations

- 5.1. It is recommended that Cabinet note the achievements, current business operations and performance of Medway Commercial Group Limited (MCG) as detailed in the report.

6. Suggested Reasons for Decision

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

Lead contact

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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>