



CABINET

6 AUGUST 2019

MEDWAY COMMERCIAL GROUP LTD SIX MONTHLY REPORT

Portfolio Holder: Councillor Howard Doe, Deputy Leader and Portfolio Holder for Housing and Community Services

Report from/Author: Carrie McKenzie, Assistant Director Transformation

Summary

This report outlines Medway Commercial Group (MCG) Limited's achievements and performance over the past eight months, and its plans for changes to governance, future growth and development.

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.
- 1.2. Medway Commercial Group (MCG) began trading April 1 2016.

2. Background

2.1. MCG comprises four key business areas:

- CCTV
- Telecare
- School Traded Services
- Recruitment.

2.2. MCG is responsible for delivering the following services:

- CCTV
- Telecare
- Out-of-Hours Call Centre
- Lone Worker Solutions and other Personal Alarm Services
- Schools Traded Services (Energy, Health and Safety Cleaning, Catering and Waste Management Compliance)
- Temporary, Contract and Interim staffing.

- 2.3. Running these key business areas through MCG as a LATCo gives the governance and flexibility to respond quickly to opportunities for growth.
- 2.4. Medway Council is the 100% shareholder of the LATCo which was established via Companies House as Medway Commercial Group Limited (MCG); and has two subsidiaries:
 - Medway Public Services Limited (MPS) – To trade with the Public Sector; and
 - Medway Commercial Services Limited (MCS) – To trade with the Private Sector.

3. Analysis

3.1. Review of Trading

- 3.1.1. The Leader of the Council requested a review of the company and its trading be undertaken, led by the newly appointed Chairman of MCG, Councillor Howard Doe.
- 3.1.2. The findings of the review have led to proposed changes within the governance and board structure of the LATCo to align itself with another alternative delivery model established by Medway Council, Medway Development Company (MDC).
- 3.1.3. Is it proposed that the Company's Board of Directors (which includes the two subsidiary companies MPS and MCS) should now comprise MCG Chief Executive – Executive Director and four Non-Executive Directors.
- 3.1.4. It is proposed that two non-executive directors, with experience relevant to the business divisions within MCG, are recruited to the Board. Their role will be to provide challenge, support and business development opportunities whilst acting in the interests of the shareholder Medway Council.
- 3.1.5. The Council's representatives on the MCG Board are:
 - Councillor Howard Doe – Chairman and Non-Executive Director
 - Councillor Rupert Turpin – Non-Executive Director.

3.2. The Workforce – Creating Local Employment

- 3.2.1. The current workforce consists of 46 FTEs, along with circa 35 FTE temporary staff who are placed within Medway Council, making MCG a reasonably-sized local employer.
- 3.2.2. As part of the review the MCG workforce has decreased as services and projects were stopped or re-prioritised. In addition, expenditure on consultants supporting these projects has stopped and this has reduced the overhead costs significantly.
- 3.2.3. MCG will be purchasing all support services such as ICT and HR directly from the Council further reducing the overhead costs.

3.3. The Corporate Client Function

- 3.3.1. The review undertaken by the new Chairman identified a requirement for a formal client representative to be identified.

3.3.2. It is proposed that Assistant Director Transformation is designated as client representative to improve the two way communication between the MCG Board and Medway Council Corporate Management Team and Elected Members.

3.4. Financial outturn 2018/19

3.4.1. MCG Ltd recorded a loss of £667,000 in 2018/19.

3.4.2. This figure includes the management charges totalling £811,000 charged to MCG Ltd by Medway Council. These charges are being reviewed for the financial year 2020/21.

3.4.3. The review led by the new Chairman has identified a clear business case for continuing to operate the four key business areas within MCG.

3.4.4. The review also identified that a number of additional projects had been progressed by MCG which were outside of the core business and had not provided an adequate return on investment. These have now been ceased or transferred back to the Council.

3.4.5. The Chairman has put in place a clear process which ensures any additional work to be undertaken by MCG is agreed by the Board after seeing and approving a return on investment business case. This prevents any significant spend against projects which have not been fully scoped and approved.

3.4.6. With the new governance and performance reporting in place, and focussing on just the four key business areas it is anticipated that MCG will make a projected loss of £400,000 this financial year 2019/20. This loss includes one off costs required to undertake and then implement the findings of the review. As these are one off costs MCG is in a much more favourable position to be profitable for financial year 2020/21.

3.4.7. MCGs financial information is now being more rigorously recorded and new systems have been put in place which will be subject to regular internal audit.

3.5. Ongoing Priorities

3.5.1. As part of the review of MCG led by the new Chairman, an interim management team have been in place which has helped to further strengthen business practices. Monthly performance and financial reporting for the Board is now in place.

3.5.2. A six month improvement work plan has been developed to guide further development of the day to day operations of MCG alongside the top priority of identifying new business opportunities.

3.5.3. Close working with other Public / Private sector organisations to develop a strategic partnership with MCG is continuing at pace. This reduces reliance on Medway Council income, whilst retaining Teckal compliance.

3.5.4. Continuing to work jointly with Medway Development Company, Medway Norse, Norse Commercial Services and other LATCos to explore the business cases for potential future work.

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

Telecare

3.5.6. Explore technology solutions to assist the Council's key people services areas e.g. Adult Social Care to provide cost effective support services to Medway residents.

3.5.7. Discussions are taking place with Adult Social Care and other statutory providers in Medway to pilot new telecare products. Other products enable patterns of behaviour to be monitored remotely and if certain tolerances are exceeded intervention can be triggered, such as frequency of visits to the toilet which could indicate a urinary infection. For example, an electronic key safe to be used by all staff visiting those living in their own homes would enhance the security around entry and provide much greater management information about who has been visiting and for how long.

CCTV

3.5.8. Excellent collaborative working with the Council has seen the Medway Camera Improvement Project successfully concluded across the main town centres, shopping areas and transport interchanges.

Education Services

3.5.9. The contract management service for schools for catering, cleaning and waste management continues to progress well with encouraging signs of possible growth by schools buying additional services. Recently 13 schools catering contracts have been re-let for a start this coming September and that has fully involved the schools in the selection of the contractor, including tasting sessions and discussions about healthy eating menu options.

4. Legal, Financial and Risk Implications

4.1. Legal implications

4.1.1. All the proposed Board and company changes will be done under advice and guidance from the Council's legal services team to ensure compliance with company law in relation to LATCOs.

4.1.2. The matters reserved to the Cabinet as shareholder include approval of a business plan.

4.2. Financial implications

4.2.1. The LATCO is expected to return to the Council management charges in accordance with the Council's budget assumptions and consistent with the previous year.

4.2.2. Having provisionally posted a loss of £667,000 (subject to audit) in 2018/19 the LATCO has already reviewed staffing structures with a view to making efficiencies and is anticipating a net loss of circa £400,000 during the current financial year.

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 professionals remains extremely difficult, due to both market and geographical positions. MCG has a Corporate Risk Register in place which is to be regularly monitored by the MCG Board.

5. Recommendations

- 5.1. It is recommended that Cabinet notes a review has been undertaken led by the Chairman of MCG, Councillor Howard Doe, and the subsequent actions taken to improve Medway Commercial Groups operating procedures and financial position.
- 5.2. It is recommended that Cabinet agrees that the proposed changes to the governance arrangements and the MCG Board are needed, and approves the designation of the client representative as Assistant Director Transformation.
- 5.3. It is recommended that Cabinet notes that an updated business plan will be presented for approval at a future meeting.

6. Suggested Reasons for Decisions

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

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Appendices

None

Background Papers

None