



BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

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MEDWAY COMMERCIAL GROUP – PROGRESS REPORT

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Summary

This update report sets out the budgetary projection for Medway Commercial Group (MCG) for 2019-20 and reports on a number of reviews taking place to inform the Business Plan for 2020-23. A resume of future business development opportunities is set out in an exempt Appendix.

1. BUDGET AND POLICY FRAMEWORK

- 1.1 In November 2015, Cabinet agreed to establish an Alternative Delivery Model for the then Medway Council Control Centre in the form of a Local Authority Trading Company (LATC), with Medway Council being the 100% shareholder.
- 1.2 MCG – Medway Commercial Group – began trading in April 2016. In 2017 further services were transferred to the company by the Council – namely schools traded service and the recruitment agency for temporary staff.
- 1.3 MCG provided a six monthly progress report to Cabinet on 6 August 2019, which was scrutinised at the Business Support Overview and Scrutiny Committee on 22 August 2019. The Regeneration, Culture and Environment Overview and Scrutiny Committee, which has a particular remit with regard to CCTV, has examined CCTV matters on several occasion this year and most recently on 17 October 2019, where MCG's Acting Chief Executive Officer was invited to answer questions from Members.
- 1.4 Members have also received a presentation on 30 October 2019, led by the Chief Legal Officer, on the scrutiny of risk and commercialisation, also attended by the Acting Chief Executive Officer of MCG.
- 1.5 Three tours of the Monitoring Control Centre have been given as part of the new members' induction process following the May Council elections.

1.6 MCG has welcomed these opportunities to update Members on its progress and recovery. This report is a further progress report on activities this year and sets the scene for the presentation of the 2020-23 Business Plan in early 2020.

2. BACKGROUND

2.1 MCG comprises four key business areas:

- CCTV
- Telecare
- Schools Traded Services
- Temporary Recruitment

2.2 MCG delivers the following services through these business areas;

- CCTV monitoring and maintenance to the CCTV Partnership led by the Council, to other Council services, and to a small group of private clients
- Telecare alarm response service to 4,000+ customers (Adult Social Care clients and private pay clients)
- Out-of-Hours Call and Lone Worker response services to Medway Council and other clients
- Schools Traded Services : contract procurement, management and quality assurance for Cleaning, Catering and Waste, and Health and Safety audits, advice and guidance
- Temporary, Contract and Interim staffing recruitment for Medway Council.

2.3 Running these key business areas through MCG as a LATC gives the governance and flexibility to respond quickly to opportunities for growth.

2.4 The Leader of the Council requested a review of the company, to be led by the newly appointed Chairman of MCG, Councillor Howard Doe, at the end of 2018. The 6 August 2019 six monthly report to Cabinet on MCG reported on that review. The findings of the review have led to changes within the governance and board structure of the LATC to align itself with another alternative delivery model established by Medway Council, Medway Development Company (MDC).

2.5 An interim senior management team was put in place in February 2019, following the departure/absence of the previous management team. All business areas have been stabilised, non-core activities have been ceased, the budget position has been established, and a number of review and improvement activities are in train, the details of which are set out below.

2.6 This further update report sets out the budgetary projection for 2019-20, includes a resume of future business development opportunities (set out in an exempt Appendix), and reports on a number of reviews taking place to inform the Business Plan for 2020-23. At this advanced stage of the 2019-20 financial year all business planning efforts are being directed to a return to surplus in 2020-21. There has been no documentation of a Business Plan for this year, given the proximity to the planned presentation of the 2020-23 Plan

to the MCG Board in early 2020, but the information below demonstrates the large amount of work that has taken place to set MCG on a positive path, guided by the Board that has met in June, August and November 2019.

2.7 The Council's current representatives on the MCG Board are:

- Councillor Howard Doe – Chairman and Non-Executive Director
- Councillor Rupert Turpin – Non-Executive Director

2.8 Recruitment is underway to appoint two further members to the Board from outside of the Council who will bring relevant experience of one or more of the business services of the company. Their role will be to provide challenge, support and business development opportunities whilst acting in the interests of the shareholder Medway Council.

3. FINANCIAL UPDATE 2019-20

3.1 MCG Ltd is forecasting a loss of £791,584 in the current year. The position has primarily changed due to a Board decision to provide the recruitment service for temporary Children's Social workers at no cost to Medway for much of the year. Income in the recruitment area comes from two sources: a percentage rebate from agencies who supply staff to Medway and a percentage mark-up on each workers' costs. The latter is intended to cover the cost of the compliance checks at the time of recruitment and the regular financial administration checks for the agency payments that MCG makes on the Council's behalf.

3.2 The Council had sought MCG's assistance in making its requests to recruitment agencies for temporary social workers as attractive as possible and asked for the suspension (for this year) of the agency rebate charge of 3%, as one way of aiding the drive to increase staffing levels and create sustainable caseloads. The Board felt this was a need to which it should respond. The decision to not apply the worker uplift percentage was a further gesture to recognise the difficult budget position of the Council, due to the number of temporary social workers engaged. The Board has indicated that it will need to apply the charge from January to March 2020, to dampen the negative affect on MCG's overall budget position. In taking both of these positions, the Board was conscious of the financial and other support that it was receiving from the Council.

3.3 This close partnership working is a clear demonstration of the change in culture achieved in a very short time to re-align the objectives of MCG with those of the Council.

3.4 Other one-off factors that have affected the budget projection are the costs to undertake the original review of MCG; specialist HR advice to oversee staffing matters; further expenditure to review operational policies and procedures in the CCTV area and to advise the Council on its technical infrastructure requirements for the future; and marketing and business analysis expenditure to bring forward a robust business plan for 2020-23.

3.5 The year 2019-20 needs to be seen as a year of correction and the jettisoning of a number of non-core activities and projects outside of the main business

areas that had not provided adequate return on investment. The further work undertaken since the report to Cabinet in August 2019 has continued to indicate that there is a clear business case for continuing to operate the four business areas within MCG.

- 3.6 Looking at the original business areas, it needs to be noted that the £811,000 management fee to be paid for Medway Council remains in this current financial year and included an over-optimistic MCG estimate for additional CCTV income that has not come to pass. Telecare is forecasting a profit of £92,000. All other areas are forecasting a loss, with the largest area being Recruitment for the reasons explained above (a loss of £194,000).

4. BUDGET 2020-21 – KEY ISSUES

- 4.1 Details of the budget planning work that has taken place so far are set out in the exempt Appendix.

5. CURRENT BUSINESS DEVELOPMENT PROJECTS AND PROSPECTS

- 5.1 A number of future business development opportunities have been identified and are detailed in Exempt Appendix 1. These cover the following areas:

- Telecare
- CCTV/Security
- Temporary Staff Recruitment for Medway Council
- Education – Schools Traded Services
- Health and Safety

6. STRATEGIC REVIEW AND BUSINESS PLAN 2020-23

- 6.1 It is clear that there is good potential to increase income across all of the business areas of MCG. Over the short run, staff will be seeking to secure definite contracts from the opportunities listed above as fresh income is vital. Whilst these opportunities have come about through hard work and welcome recommendations from existing clients, MCG recognises that they have not come about from a clear strategy and a targeted market research led approach.
- 6.2 The efforts of recent months after the significant loss of the entire management team has been on 'steadyding the ship', and wrestling with the considerable budget challenge created by the resignation of two member councils from the CCTV Partnership. The challenge of maintaining services day to day after such a significant loss of senior staff cannot be underestimated and inevitably accounts for some slower than normal progress in some areas. And of course there are four business areas to run; there has been no stagnation at MCG and good service has continued to be maintained to existing clients. This has included major procurement exercises for schools, a major ICT upgrade in the telecare area, as well as supporting the Chairman's review.
- 6.3 To address the strategic agenda, focussed on the preparation of a robust Business Plan for 2020-23, the Chairman has commissioned external assistance. That review is underway and will report to Board Members and

the Council's Client Representative in December 2019, outlining the opportunities open to the company and making recommendations. It will build on the work outlined in this paper but has a free hand to challenge too.

- 6.4 Members will also wish to be advised that further work to support an effective and fit for purpose organisation has also been worked on over recent months. In the CCTV area, two independent studies have been commissioned with the objective of ensuring that day to day practice is excellent and that we can demonstrate our credentials and achievements to prospective clients. First, a review of all policies and procedures is being undertaken by an experienced professional in the CCTV sector. Consideration will then be given to benchmarking performance against the Surveillance Camera Commissioner's self-assessment model.
- 6.5 More significantly a further study is taking place now that will make recommendations – primarily for the Council – on its future technical infrastructure. As in all technological environments, the pace of change is fast. Medway has not examined this issue in many years and MCG has commissioned this review itself to advise the Council. There may be opportunities to reduce reliance on BT fibre cables (relatively expensive) and to be clear where wi-fi signals are appropriate and reliable. These are very positive and long overdue measures.
- 6.6 On corporate governance a number of issues are progressing. Whilst MCG inherited and relied upon a number of Medway Council practices and procedures, it had not formally adopted a Health and Safety policy statement. The Board has agreed a Policy at its meeting on 11 November 2019, and arrangements are being put in place to ensure there is strong operational practice.
- 6.7 A key layer of management in any organisation is that tier that directly supports the Senior Management Team; through its hands-on knowledge of day to day operations it should and must influence policy and business direction, as well as be accountable for budget and business targets. That group of staff now meets monthly and has also benefitted as a first stage of development from a two day management development programme; Investing in Our Futures.
- 6.8 It is hoped that the initiatives recounted here provide Members of the Committee with confidence about the future, and an appreciation that there is very positive momentum at MCG and a comprehensive programme of activity, that will be brought together through the review underway and then documented as this committee rightly wishes to see in a Business Plan.

7 Risk management

- 7.1 MCG has a risk register in place and this is reviewed and monitored by the Senior Management Team and by the Board regularly. The previous report to Cabinet noted the challenge of recruiting high quality professionals due to market and geographical positions. That challenge remains.

8. Financial implications

- 8.1 The LATC is expected to return to the Council management charges in accordance with the Council's budget assumptions in 2019-20.
- 8.2 This report posts a revised loss in 2019-20 as set out in section 3 above.

9 Legal implications

- 9.1 There are no specific legal implications arising from this report. MCG will be purchasing Legal support services, and others, from the Council. It is already receiving support on a number of initiatives and projects.

10. Recommendation

- 10.1 It is recommended that the Committee notes this report.

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Appendices

Exempt Appendix 1 – Future business development opportunities and budget 2020/21

Background papers

None