

CABINET

4 FEBRUARY 2020

MEDWAY COMMERCIAL GROUP - SIX MONTHLY PROGRESS REPORT AND BUSINESS PLAN ADOPTION

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 provides a six monthly progress report on the Medway Commercial Group (MCG) performance over the last 6 months and MCG's Business Plan for the next three financial years for formal approval by Cabinet. MCG's Business Plan is attached as an Exempt Appendix to this Report.

This report will be initially considered by the Business Support Overview and Scrutiny Committee on 30 January 2020 and its comments will be reported to Cabinet in an addendum report.

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. The trading name for the LATCo is Medway Commercial Group.
- 1.2 Medway Commercial Group (MCG) began trading April 1 2016 and in 2017 Schools Traded Services and Recruitment Agency were transferred to the company by the Council.
- 1.3 Separate to MCG Board Governance requirements MCG are required to produce six monthly progress reports to Cabinet, the last one of which was presented to Cabinet on the 6 August 2019 (Decision Number 93/2019). In addition, there have been a number of progress reports on MCG to the Business Support Overview and Scrutiny Committee this financial year and also to the Regeneration, Culture and Environment Overview and Scrutiny Committee, which holds the scrutiny remit for CCTV.
- 1.4 The MCG Business Plan was approved by MCG Board on 8 January 2020 for presentation and approval by Cabinet and covers the next three financial trading years for MCG.

2. Background

2.1 MCG trading market is principally split into 4 market segments of:

- CCTV Services through the CCTV Partnership hosted by Medway Council and direct CCTV provision for third parties including an Out of Hours Call Centre Model.
- Telecare Services
- School Traded Services covering Energy, Health & Safety, Cleaning & Catering
- Recruitment Agency for Medway Council

2.2 Medway Council is the single shareholder of MCG and MCG operates through two subsidiaries to enable the company to trade with both the Public and Private Sector:

- Medway Public Services Limited (MPS) – To trade with the Public Sector; and
- Medway Commercial Services Limited (MCS) – To trade with the Private Sector.

2.3 MCG's 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. Six Monthly Progress Report

3.1. MCG Governance

3.1.1. A Strategic Review of MCG Operating Model has been completed under the direction of the Chair of the MCG Board (Councillor Howard Doe) and the Corporate Client and this has set the framework for the MCG Business Plan for the next three financial trading years.

3.1.2. Board Meetings are held on a 6 weekly cycle on a Business As Usual Model to ensure good governance protocols are embedded and opportunities for Business Growth are approved in accordance with the company structure of MCG, specifically around the issues of commercial risk.

3.1.3. The Company's Board of Directors (which includes the two subsidiary companies MPS and MCS) should comprise MCG Chief Executive – Executive Director and four Non-Executive Directors. Currently 4 of these 5 Director posts have been appointed:

- Simon Swift – Acting Chief Executive Officer and Executive Director
- Councillor Howard Doe – Chairman and Non-Executive Director
- Councillor Rupert Turpin – Non-Executive Director
- Steven Hughes – Non-Executive Director

3.1.4. Recruitment to the vacant Non-Executive Director posts is ongoing with an appointment scheduled to be made by the end of this financial year.

3.1.5 The Assistant Director, Transformation, has been appointed to the role of Corporate Client to safeguard the single shareholder interests of Medway Council. In addition to attendance at MCG Board meetings, the Assistant Director holds regular business waymark meetings with the Acting Chief Executive Officer, along with advising the Chair of MCG on Council interests in respect of MCG Business Model

Delivery. The Assistant Director, Transformation, is due to leave the Council in February, at which point the Chief Legal Officer will take over this role.

3.2 MCG Financial Performance

- 3.2.1 On current trading performance, MCG will make a projected loss of £785,000 this financial year 2019/20. The forecast loss has increased by £385,000 and is due to providing the recruitment service to Children's Services for free up until the end of Quarter 3 for this financial year, as requested by Medway Council. MCG have also incurred other one off costs for consultancy services for HR and Accountancy this financial year that have contributed to this forecasted loss. As these are one off costs, MCG is in a much more favourable position to be profitable for financial year 2020/21, as reflected in the proposed MCG Business Plan.
- 3.2.2 As part of strengthening the Governance Control for MCG, it will be purchasing all support services such as ICT and HR directly from the Council from the next financial year.

3.3. MCG Business Performance

- 3.3.1. Key areas of MCG Business Performance to bring to Cabinet's attention for this reporting cycle are:

Telecare

- 3.3.2 MCG is experiencing good growth in Telecare products month on month and is generating on average 25 additional clients each month. This additional client base growth is forecast to yield an additional £100,000 of income per annum (at the minimum sale per install) and this is reflected in the MCG Business Plan for the next three financial trading years.
- 3.3.3 In December, the Telecare Service passed the independent TEC Services Association (TSA) audit. Telecare achieved 'green' in all of the ten modules that were audited meaning that Telecare was deemed to have fully met all standards to the highest level in all aspects of its service delivery for the third consecutive year. TSA were so impressed that they have asked if they could use as a blueprint how Telecare has become part of the Medway hospital discharge team.
- 3.3.4 A Key Business Growth Opportunity being progressed currently to bring to Cabinet's attention is a Pilot related to Canary Care. Canary Care is an advanced assessment tool designed to passively track service-user's movements around their property. It is used to establish whether the user is acting in a way that is to be expected for them by compiling a movement log, which can be compared to movements on previous days or to what is usual for a person living independently at home. Subject to the diagnostic assessment of the Pilot, this has the potential of generating an additional income stream for MCG.

CCTV

- 3.3.5 Successfully delivered to programme and budget, Medway Council's CCTV Improvement Project and MCG have also been commissioned to supply new CCTV cameras by the Community Safety Partnership (CSP) this financial year and host CCTV Monitoring at two of Medway Development Company housing development sites.

- 3.3.6 Market engagement with a range of providers is being undertaken to secure new CCTV Monitoring Business to offset the loss of Swale BC and Maidstone BC from the CCTV Partnership hosted by Medway Council. The current expectation is that there could be two procurement opportunities within the next 3 months that MCG can bid for, to provide CCTV Monitoring.

Education Services

- 3.3.7 The contract management services for schools catering, cleaning and waste management continues to progress well and MCG now have 49 Academy Schools that are MCG Clients. All contracted schools have purchased the SLA contract management services.
- 3.3.8 Education Services are also discussing the possibility of procuring catering services for education trusts in Greenwich and Bexleyheath and to date we have secured the provision of catering management services to three schools in Greenwich.
- 3.3.9 Education Services are also working with the Council's Public Health team regarding the Holiday Hunger Project which will allow schools and catering contractors to work together to provide hot lunches at the schools during the holidays.

4. MCG – Business Plan

- 4.1 MCG Board have approved the MCG Business Plan for the next three financial trading years for presentation and approval by Cabinet. This cycle of Business Plan for MCG has been developed, following a Strategic Review of the Business Direction for MCG during Quarter 3. Due to the commercially sensitive nature of the MCG Business Plan, it is attached to this report as an Exempt Appendix.

5. Risk Management

- 5.1 The MCG Business Plan, that is attached in the Exempt Appendix, includes the Strategic Register for MCG Business Activities that will be reported to MCG Board on a regular basis to ensure appropriate levels of Governance Controls around Risk. In addition to the Strategic Risk Register, MCG will be adopting an Operational Risk Register that will be managed by the Senior Management Team of MCG.

6. Financial and Legal Implications

- 6.1 There are no direct legal implications arising from this report.
- 6.2 A significant proportion of MCG Ltd's total revenue derives from the Council. The charges for services provided to the Council by MCG is and will continue to be agreed between the client and the company and reflected in the Council's revenue budget.
- 6.3 Similarly, the charge that the Council levies on MCG in relation to management overheads will also need to be agreed through negotiation between the client and the company.

7. Recommendations

- 7.1 The Cabinet is asked to consider the comments of the Business Support Overview and Scrutiny Committee, as set out in the Addendum Report.
- 7.2 The Cabinet is asked to note the six monthly performance report for MCG, as set out in section 3 of the report.
- 7.3 The Cabinet is asked to approve the MCG Business Plan for the next three financial years from 2020/21, as set out in the Exempt Appendix.

8. Suggested Reasons for Decisions

- 8.1 When Cabinet agreed to establish MCG it was also agreed that regular monitoring reports would be provided to Cabinet and as Medway Council is the single shareholder of MCG it is a responsibility of Cabinet to approve the Business Plan.

Lead officer contact

Simon Swift, Acting Chief Executive Officer
Medway Commercial Group
Innovation Centre
Medway
01364 331146
simon.swift@medway.gov.uk

Appendices

Exempt Appendix – MCG Business Plan

Background Papers

None