

CABINET

4 FEBRUARY 2020

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

ADDENDUM REPORT

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

Report from: Carrie McKenzie, Assistant Director Transformation

Authors: Michael Turner, Democratic Services Officer

Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee which considered the report on 30 January 2020.

1. Background

1.1 Members considered a report which provided a six monthly progress report on the Medway Commercial Group (MCG) performance over the last 6 months and also MCG's Business Plan for the next three financial years that was due for formal approval by Cabinet on the 4th February 2020.

1.2 The following issues were discussed:

1.2.1 **Telecare** – some scepticism was expressed about projected growth levels and the underlying assumptions. The point was made that other providers were entering what was a crowded market and could charge less than MCG. The Business Plan was predicated on a significant growth in the Telecare business. MCG's unique selling point was its ability to provide access to Council services that Telecare customers might need, but this did not feature in the Business Plan. The Acting CEO of MCG emphasised the Telecare growth figures were projections based on a positive income performance to date and the Business Plan did include a target for Year 1 around developing a Product and Marketing Strategy to support growth of the Telecare Business. The reference to 25 additional clients per month included both individuals and organisations and the next six monthly progress report to Business Support Overview & Scrutiny would include a detailed breakdown on Telecare Income Performance.

1.2.2 **Recruitment service to Children's Services** – the Assistant Director-Transformation clarified that the MCG board had previously decided to provide the

recruitment service to Children's Services for free in order to support the latter's budget position but this charge had now been re-instated.

- 1.2.3 **CCTV** - noting the expected procurement opportunities within the next three months to offset the loss of two councils from the CCTV partnership, it was queried whether it would not be better to delay this and have a period of stability. The Acting CEO of MCG advised that an incremental approach was being adopted to securing CCTV Business Growth as reflected in the Business Plan.
- 1.2.4 **Organisational reputation of MCG** – whether this should be added to MCG's risk register was queried and the Acting CEO of MCG undertook to consider that.
- 1.2.5 **Change in brand** – noting the proposal to re-brand MCG, it was argued that it would be better to delay this given the outcome of the police investigation could further damage the MCG brand.
- 1.2.6 **Educational services** – whether the Board had adequately considered whether this service should continue to be provided was queried. The Acting CEO of MCG advised that the Business Plan contained a commitment to review this service to ensure it was a natural fit and was commercially viable, noting that Educational Services had a good trading performance but the net margins were relatively small.
- 1.2.7 **Management fees and corporate re-charges** – the Acting CEO of MCG clarified that corporate re-charges related to MCG's overhead costs while the management fee was the sum MCG was required to pay back to the Council.
- 1.2.8 **Police investigation** – noting this had already taken several months it was queried whether the police could be asked for an update on when it might conclude. The Chief Legal Officer advised he had discussed timings with the police and expected to be able to give a confidential update to the Committee at a meeting in the near future.
- 1.2.9 **Viability of Business Plan** – some Members commented they remained sceptical about the viability of MCG and did not have confidence in the Business Plan. Whether MCG would deliver value for money was also queried.

2. Director's comments

- 2.1 The MCG Business Plan for adoption by Cabinet includes a target to rebrand the company to support business growth into the Telecare Market. Subject to Cabinet approval of the Business Plan, it is proposed that the re-branding is undertaken within the first six months of Year 1 of the Business Plan.
- 2.2 MCG do not feel that it is appropriate to delay this proposed re-branding as it is key critical that MCG establishes a strong market placement through re-branding to support Income Targets and also recovery of the Management Fee to Medway Council.

3. Recommendations:

- 3.1 The Committee agreed to:
 - a) note the six monthly performance report for MCG and its Business Plan for the next three financial years, and;

- b) recommend to Cabinet that the timing of when to re-brand MCG should be carefully considered.

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