

CABINET	DATE 20 October 2021	ITEM NO 7
TITLE GS Plus Ltd and GSS Ltd – Annual Report 2020/21 and Interim Report 2021/22	WARD (S) All	
CHIEF OFFICER Director of Improvement & Managing Director GSP Ltd & GSS Ltd	CABINET MEMBER Finance & Resources	
DECISION CLASSIFICATION Non-Key Non-exempt report & appendices	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING? Yes	

I. Decision required

This report makes the following recommendations to the decision-maker:

- I.1 To note the Annual Report and Audited Accounts 2020/21 and Interim Report 2021/22 for the Council's wholly owned companies: –
 - i) GS Plus Ltd (GSP); summarised in section 4.4 and detailed in the Audited Accounts 2020/21 attached to this report at Appendix A.
 - ii) Greenwich Service Solutions Ltd (GSS); summarised in sections 4.5 and detailed in the Audited Accounts 2020/21 attached to this report at Appendix B.
- I.2 To note the contents of this report outlining the transformation activities and the response of the Companies to the emergence from Covid-19 restrictions as outlined in section 5.
- I.3 To agree to refer the report for consideration at a future meeting of Overview & Scrutiny Committee.

2. Links to the Royal Greenwich High Level Objectives

- 2.1 The services provided by companies covered by this report including Fleet Management, Passenger Services, Catering, FM/Building Cleaning and Gateway support the delivery of the Council's agreed high-level objectives as follows:

- A Healthier Greenwich
- A Great Place to Grow Up
- A Cleaner, Greener Greenwich
- Economic Prosperity for All
- A Strong Vibrant and Well-run Borough

3. **Purpose of Report and Executive Summary**

- 3.1 This report is a regular information item comprising of the Annual Report of the Council's wholly owned companies GSP and GSS. The Outturn for 2020/21 and Audited Accounts are now reported which updates Members on the trading positions of the companies and reports an aggregated operating surplus of £0.133m before tax across the two companies, which has been achieved in the most testing of trading conditions and is summarized in table 1 below:

Table 1

2020/21 Profit and Loss Account	GSP Outturn £m	GSS Outturn £m	Aggregate Position £m
Operating Surplus/(Deficit) before Tax	0.436	(0.303)	0.133
Less: Corporation Tax	0.182	0	0.182
Surplus/(Deficit)	0.254	(0.303)	(0.049)

- 3.2 The report also provides a commentary on the interim financial prospects for 2021/22 for each company and outlines the progress on transformation activities and the plans of the companies' services following emergence from the most severe Covid-19 restrictions.

4. **Introduction and Background**

- 4.1 The Cabinet on 20 February 2019 considered a report on the future direction of the Companies and a decision was taken to insource Fleet, Passenger and the Cleaning and Facilities Management of RBG buildings, but move away from the provision of Catering, Building Cleaning and ICT support to schools over a period of transformation of up to 3 years. This action was likely to result in the closure of the Companies. This decision was ratified by both Company Boards on 28 February 2019 who also agreed a 3-year Implementation Business Plan which was itself ratified by the Chief Executive, RBG, in consultation with the Cabinet Member for Finance & Resources, reflecting the joined-up approach between the Council and the Companies.

- 4.2 In considering the previous Annual Report to Cabinet on 16 December 2020 it was agreed to align the business transformation timescales for the company with the Council’s MTFS to 2024/25, extending the planned timescales by a further 3 years.
- 4.3 Ongoing RBG Corporate governance is maintained by a Transformation Strategy Group led by the Chief Executive and additional RBG Member oversight is achieved through the Member Working Group established by Cabinet, holding its fifth 6-monthly meeting in September 2021.

GS Plus Ltd Financial Result 2020/21

- 4.4 GSP made an in-year operating surplus before tax of £0.436m in 2020/21 on a turnover of £24.236m. This compares to a deficit of £0.370m before tax on a turnover of £30.991m in the year before. The 2020/21 position is subject to Corporation Tax charges totalling £0.182m resulting in a net surplus after tax of £0.254m (see Table 2 below).

Table 2

GSP Accounts Summary 2020/21	£m	£m
Operating Surplus before Tax	0.436	
Less: Corporation Tax	0.182	
Profit & Loss A/c – Surplus		0.254

- 4.4.1 The operating surplus follows a difficult first half year with heavy losses and loss of turnover on catering activities. A much stronger final quarter performance saw robust interim charging arrangements in place with schools to reduce losses and experience gained from earlier lockdowns enabled a rapid deployment of skeleton staffing alongside the furlough of unused staff hours. RBG funded services remained stable and while these staff and transport resources were redirected to support RBG we also secured short-term savings where possible. Cleaning remained in high demand as a much-valued service throughout which increased earnings. These combined efforts to claw back the trading position was reflected in the net surplus achieved.
- 4.4.2 A copy of the audited accounts for 2020/21 is attached as **Appendix A**.
- 4.4.3 Over the years, GS Plus has built up reserves; as at the end of 2020/21 the company’s accumulated reserve amounted to £2.918m.

GS Plus Ltd Provisional Forecast 2021/22

- 4.4.4 This year, a deficit budget of £289k was set reflecting a range of income uncertainties at the time across various services, most notably for the final 4 months of the school catering contracts. Passenger service requirements are under review with the RBG client leads which once confirmed will require GSP to complete a service restructure to maximise operating efficiency against the new service levels. A Core Services savings target of £208k is also required in year to reflect the reduction in turnover across the company. Monitoring currently indicates the position is being maintained within the budget forecast based on early trends for the first 4 months of the year.

GSS Ltd Financial Result 2020/21

- 4.5 GSS made an in-year operating deficit before tax of £0.303m in 2020/21 on a turnover of £0.85m compared to a deficit of £0.089m before Tax on turnover of £2.45m in the year before.
- 4.5.1 The operating deficit is in line with monitoring expectations and primarily reflects the disruptions to Gateway Agency's costs and earnings caused by the Covid-19 pandemic. This included maintaining furloughed agency staff on full pay during the initial months of the first Covid-19 lockdown.
- 4.5.2 A copy of the audited accounts for 2020/21 is attached as **Appendix B**.
- 4.5.3 Over the years, GSS has built up reserves; as at the end of 2020/21 the company's accumulated reserve including the above amounted to £0.484m.
- 4.5.4 GSS Ltd Provisional Forecast 2021/22

This year, Gateway Agency activity has now stabilised, albeit at a lower level following the ending of catering operations. Ongoing operating costs are being reduced to reflect this smaller scale to improve the trading position going forward. Monitoring currently indicates a position in line with the deficit budget of £138k assumed for 2021/22. Further improvement is expected as the full year effect of current year savings are realised in 2022/23.

5. Service Transformation & Response to the Covid-19 Disruptions

- 5.1 Work has continued to progress the companies movement back into a cautious "business as usual" following the emergence from a second major

lockdown in the Spring of 2021 and as we work through a new operational year full of challenges.

- 5.2 **Catering** – has successfully demobilised from the 45 LEA sites and the 5 non-GCSP school sites, handing facilities back to schools on schedule and completing the TUPE transfer of all eligible staff to the new service providers by 31 July 2021. This included several agency staff who were supporting the catering service and were taken into vacant permanent roles prior to the handover. The completion of this key strand of transformation now removes a significant area of operational risk to the companies going forward.
- 5.3 **Cleaning/FM** – the demand for cleaning has continued to date with enhanced routine cleaning regimes for RBG buildings under revised safe operating procedures, implemented by Facilities Management. Ad hoc and regular enhanced cleans also continue at some schools and other sites. This has continued to contribute valuable additional income to the companies, although work is expected to be scaled back over time.

Following the withdrawal from Catering, senior management focus is now directed to a review of cleaning operations to refresh management structures and, in view of the extended transformation timetable, to work towards retaining contracts with schools and other clients who operate as Council service delivery partners within RBG owned buildings. The approach is to try to achieve competitive prices for quality services by improving efficiency to maintain or improve net returns to the company.

Facilities Management have frozen current year charges at 2020/21 levels by absorbing costs within existing resources, providing RBG with real terms savings. It has also recently worked with RBG to reduce other building support services costs while at the same time temporarily increasing service hours cover in response to the clients evolving service needs.

- 5.4 **Passenger Transport** – has been busy implementing rounds for the interim return of some Adults services and reconfiguring SEN bus rounds for the new school year as required by the RBG client, together with taxi rounds procured on behalf of the SEN client from the framework managed by GSP. Current charges remain based on 2019/20 pre-Covid service levels and need to be agreed going forward to fully reflect current costs, pending confirmation of longer-term requirements.

As part of its modernising program Passenger Services has achieved Fleet Operator Recognition Scheme (FORS) Bronze level accreditation standards

for its quality management of health & safety, training and compliance systems and is actively working towards Silver assessment.

5.5 **Fleet Services** – External trading functions around HGV/PSV and MOT testing has seen business pick up although turnover for external vehicle repair and servicing work has been slower to recover. Fleet rates have been revised following agreement with RBG. Modernisation and electrification of around 100 vehicles is underway requiring careful planning of new fuelling requirements, commissioning of new vehicles and the preparation for disposal of retiring vehicles.

5.6 **ICT/Back Office** – continue to support staff and clients in the delivery of front-line services and keep functions running, while keeping up to date with the changing regulatory and service environment and achieve major change management events such as the demobilisation from Catering,

5.7 Conclusion and Looking Forward

This paper has briefly updated the continuing journey of the companies and staff as we emerge from the unprecedented scenarios that faced the various stakeholders and now take stock to stabilise the companies going forward. The realignment of the transformation timetable to coincide with the RBG MTFS 2024/25 has led to the development of draft service-based business plans to reflect the new minimum 3.5-year operating term. These will consider revised approaches including new opportunities to retain or grow work as well as responding further should the work base shrink from permanent reductions by school or RBG clients. The companies will continue to work closely with the shareholder to agree the direction regarding staffing and risks and maintaining the liquidity of the companies going forward.

6. **Available Options**

6.1 Option 1 - to agree to refer the present version of the report for consideration at a future meeting of Overview & Scrutiny Committee.

6.2 Option 2 - to ask Officers to make changes to the report before it is sent for consideration at a future meeting of Overview & Scrutiny Committee.

7. **Preferred Option**

7.1 Option 1 - to agree to refer the present version of the report for consideration at a future meeting of Overview & Scrutiny Committee.

8. Reasons for Recommendations

8.1 The Council's Companies are required to provide an Annual Report to Cabinet. Although this is primarily an information item Cabinet is asked to agree to refer the report for consideration at a future meeting of Overview & Scrutiny Committee in accordance with established protocol.

9. Consultation Results

9.1 This report fulfils a requirement to submit an Annual Report to Cabinet which forms part of the overall Governance framework in which the Companies operate, which is outlined further in sections 4.1-4.3 and 8.1 above. The Statement of Accounts for each Company has been reported to and approved by the Board's at their meetings on 10 September 2021, in accordance with the Directors responsibilities under the Companies Act 2006. While this is primarily an information report to RBG on the progress and plans of the companies, the key to the success of these plans will be based on close ongoing co-operation with the clients to ensure the services are properly specified and deliver what is required with efficient and effective outcomes for both organisations.

10. Cross-Cutting Issues and Implications

Issue	Implications	Sign-off
Legal including Human Rights Act	The purpose of this report is to recommend Cabinet: (1) To note the Annual Report and Audited Accounts 2020/21 and Interim Report 2021/22 for the Council's wholly owned companies, Greenwich Service Solutions Ltd (GSS) and GS Plus Ltd (GSP). (2) To note the contents of this report outlining the transformation activities and the response of the Companies to the emergence from Covid-19 restrictions as outlined in section 5. (3) To agree to refer the report for consideration at a future meeting of Overview & Scrutiny Committee.	John Scarborough, Director of Legal Services, 17 September 2021

	<p>The Council has a fiduciary duty to manage its resources effectively and to seek to keep losses to a minimum. If a company is no longer able to compete, then the Council needs to review its future which was done in the February 2019 Cabinet report. Updates have been provided to Cabinet in December 2020 and via this report. If wound up, a company needs to ensure that everything possible is done to protect creditors.</p> <p>Whilst there are no specific legal implications arising from this report, the financial position of both companies will need to be kept under regular review during the implementation period of the companies' transformation activities.</p>	
Finance and other resources	<p>The report is predominantly an information item, providing historic financial performance, but also initial trading updates for the current financial year by the companies. Whilst the Companies Act 2006 (as amended), requires the Directors of GSS and GSP to be responsible for the production of their accounts and the appointment of an auditor (separate to that of the Council), the Council is working closely with the company, through the Transformation Strategy Group and Member Working Group. This approach enables the council to maintain oversight of the Implementation Plan and overall risks. Despite the updated timescale for the transformation and the effects of COVID, the underlying position of the companies remains unchanged at this point in time</p>	<p>Damon Cook, Director of Finance, 17 September 2020</p>
Equalities	<p>As an information item, the decisions recommended through this paper have a remote or low relevance to the substance</p>	<p>Mark Armstrong, Head of Accounting &</p>

	<p>of the Equality Act. There is no apparent equality impact on end users.</p> <p>The Companies are owned by the Council and are fully aligned to promote the Royal Borough of Greenwich's commitment to the Equality Act 2010 and the Public Sector Equality Duty as expressed in the Council's Equality and Equity Charter and the Council's Equality Objectives 2020-2024.</p>	<p>Business Change (GSP/GSS Transformation) 15/9/2021</p>
Climate Change	<p>The report is an information item so has no direct implications to consider. The Companies are owned by the Council and provide services which include Fleet Management, Passenger Transport, Catering and Building FM and Cleaning and as such remain fully committed to working with the Council to promote more sustainable service solutions in response to the Climate Emergency.</p>	<p>Mark Armstrong, Head of Accounting & Business Change (GSP/GSS Transformation) 15/9/2021</p>

11. **Report Appendices**

11.1 The following documents are to be published with and form part of the report:

- *Appendix A: GSP Annual Report & Audited Accounts 2020/21*
- *Appendix B : GSS Annual Report & Audited Accounts 2020/21*

12. **Background Papers**

GS Plus Ltd & GSS Ltd – Annual Reports 2019/20 and Interim Report 2020/21,
Cabinet 16/12/20 - Item 9

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