



Overview and Scrutiny Committee

Meeting: Tuesday, 10th March 2020 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Coole (Chair), Ryall (Vice-Chair), Dee, Finnegan, Haigh, Hilton, Hyman, Lewis, Organ, Patel, Pullen, Stephens, Taylor, Toleman, Walford and Wilson
Contact:	Democratic and Electoral Services 01452 396126 democratic.services@gloucester.gov.uk

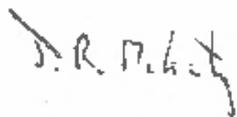
AGENDA

1.	APOLOGIES To receive any apologies for absence.
2.	DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
3.	DECLARATION OF PARTY WHIPPING To declare if any issues to be covered in the Agenda are under party whip.
4.	PUBLIC QUESTION TIME (15 MINUTES) To receive any questions from members of the public provided that a question does not relate to: <ul style="list-style-type: none"> • Matters which are the subject of current or pending legal proceedings, or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers
5.	PETITIONS AND DEPUTATIONS (15 MINUTES) To receive any petitions and deputations provided that no such petition or deputation is in relation to: <ul style="list-style-type: none"> • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings
6.	MARKETING GLOUCESTER LIMITED REVIEW (Pages 5 - 12) To consider the information provided to the Overview and Scrutiny Committee concerning recent events relating to Marketing Gloucester Ltd and the UK Digital Retail Innovation Centre

(UKDRIC).

7. DATE OF NEXT MEETING

Monday the 15th of June 2020.



Jon McGinty
Managing Director

Date of Publication: Monday, 2 March 2020

NOTES

Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<u>Interest</u>	<u>Prescribed description</u>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either – i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with

whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, "securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

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Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the Public and Press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

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- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.

Gloucester City Council

Meeting:	Overview and Scrutiny Committee	Date:	10 March 2020
Subject:	Marketing Gloucester Ltd		
Report Of:	Anne Brinkhoff		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Anne Brinkhoff, Corporate Director		
	Email:	anne.brinkhoff@gloucester.gov.uk	Tel: 39-6745
Appendices:	1. Response to Scrutiny Scoping Questions		
	2. Summary timeline of events		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To provide further information to Overview and Scrutiny concerning recent events relating to Marketing Gloucester Ltd and the UK Digital Retail Innovation Centre (UKDRIC).

2.0 Recommendations

- 2.1 Overview and Scrutiny Committee is asked to consider the information contained in the report and make any recommendations to the Cabinet.

3.0 Background and Key Issues

- 3.1 Marketing Gloucester Ltd is a separate company wholly owned by Gloucester City Council. It was placed into insolvency on 13th February 2020. The Chair of Overview and Scrutiny Committee has identified a number of follow up questions (attached at appendix 1) relating to this matter. Initial responses to these questions have been provided by officers at appendix 1, along with a summary timeline of relevant events in appendix 2.

Background Documents: None

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- 1. What is the situation with the UK Digital Retail Innovation Centre (UKDRIC)?**
 - a. What is the impact of insolvency proceedings on this subsidiary of Marketing Gloucester (MGL)?**
 - b. What is the future of the UKDRIC in Eastgate Shopping Centre?**

Officer response

Questions about the UK Digital Retail Innovation Centre (UKDRIC) and the impact of MGL's insolvency on the UKDRIC are matters for the Insolvency Practitioner.

Officers from the City Council are in discussions with GFirst Local Enterprise Partnership colleagues to explore how the facilities at Eastgate Shopping Centre could be repurposed to continue to serve as a Digital Innovation Hub. Given the investment already made into the facilities at Eastgate Shopping Centre, it makes sense to continue to locate any future hub at Eastgate Shopping Centre.

- 2. What led to MGL entering insolvency?**
 - a. What is the level of debt involved?**
 - b. Whom is the debt owed to?**
 - c. Was MGL operating illegally at any point?**

Officer response

The Insolvency Practitioner has stated that there were three reasons for the failure of MGL. They were

- The reduction over time of grant funding from GCC placing revenue pressure on the Company. This was not a situation unique to Gloucester, local authorities all over the UK have been faced with challenging public spending decisions.
 - The company failed to deal with the reduction in core revenue. Attempts to find new and alternative sources of revenue were inadequate and, when this became evident, there was little attempt to cut costs and reduce activity accordingly.
 - Too many high-risk projects were entered into with insufficient business and financial planning. The Company deviated from its core purpose and neglected to focus on prudently managing the day to day business.
- a. The Insolvency Practitioner is now trying to establish the quantum of debt owed by MGL.
 - b. The Insolvency Practitioner is now trying to establish a complete list of MGL creditors.
 - c. The police have informed the Council that there is no active police investigation underway. The City Council is not aware that MGL has operated illegally at any point.

- 3. What was the involvement of City Council officers and members?**
 - a. When did senior officers first become aware that MGL was experiencing financial difficulties?**
 - b. When did senior figures first become aware of questionable practice at MGL?**
 - c. What was the relationship between the council and MGL like in terms of access to financial information?**
 - d. What actions did the council take in relation to the crisis and when?**

Officer response

- a. Senior officers were aware that the proposed reduction in funding to MGL placed financial pressures on the company, but those pressures were no greater than the financial pressures being felt elsewhere in respect of public funding and were less significant, for example, than the budgetary reduction set by the Council to Aspire Leisure Trust. MGL was given at least 12 months' notice of the first £100,000 reduction and 24 months' notice of the second reduction of the same amount.

Officers became aware that MGL was unable to pay its creditors without further financial support from the Council on 11 September 2019.

- b. The reports undertaken by Melanie Sensicle and Grant Thornton provided the first evidence to the Council of the financial and operational practices in operation at MGL.
- c. The Council was provided with a copy of the annual accounts and annual budget.
- d. Appendix 2 provides a summary chronology of relevant contact, events and actions between the Council and MGL since March 2019.

MGL – summary timeline of relevant contact between Council and MGL from March 2019

2019	
13 March	Letter from Jonathan Lund to Jason Smith (MGL) setting out requirements for effective governance of MGL
3 May	Quarterly performance review meeting (PJ, JW, JS, JL) to run through new governance and reporting requirements. No cash flow information received so restated Council requirement for cash flow information to be provided.
13 May	E-mail from Jennie Watkins to Cabinet/Senior Management Team setting out new arrangements re governance of MGL
20 May	Annual Council - announcement that Jennie Watkins will become Chair of MGL; and Steve Morgan taking over as Cabinet Member for Culture and Leisure
6 June	Anne Brinkhoff taking over as lead Council officer for relationship with MGL
16 July	First quarterly performance monitoring meeting (AB; SM; JW; JS) under new arrangements. Meeting notes show that concern over cash flow expressed and action for JS to meet with JT to discuss financial monitoring and management
8 August	Meeting between City Council (SM; HN; AB; JT; SW) and MGL (JW; JS: NW) to discuss what course of action is required to write off the historic £97k debt. Agreed for this to be considered subject to MGL responding to a list of questions about finances, governance and operations
9 August	MGL's AGM – formal election of Jennie Watkins as Chair of the Board
15 August	Email from AB to JS outlining requirements for information – with a deadline of the 28 th August
29 August	Reply from MGL (JS) with various documents attached; information was incomplete. Council officers instruct Internal Audit to review the information.
2-5 Sept	Various emails between AB and JS asking for additional information, particularly in relation to salary costs, cash flow and P&L accounts
5 Sept	E-mail from AB to JS asking him for actual cash flow position
11 Sept	Receipt of management figures from MGL identifying outstanding debts to HMRC, PAYE, other creditors and a growing cash flow deficit. Briefing of Cabinet informally and agreement on proposed course of action
16 Sept	E-mail to Group Leaders and Chair of O&S about a Cabinet member decision to provide a loan facility to MGL
17 Sept	Publication of a revised Forward Plan
18 Sept	Separate briefing with Cllrs Hilton and Coole (AB, SW, HW) re Cabinet Member decision
19 Sept	Briefing with Cllr Stephens (AB, SE, HW) MGL Board meeting – review commission agreed & terms of loan drawdown agreed
20 Sept	ToR for strategic and operational review sent out to three consultancy firms (subject to outcome of Call in by Scrutiny) – deadline of 3 rd October
25 Sept	Publication of Cabinet Member Decision
30 Sept	Confidential briefing to Scrutiny
2 Oct	Call in notice received
7 Oct	Tender evaluation of proposals for the Strategic and Operational Review (SM, HN, AB, JW) – subject to outcome of Call in by Scrutiny
14 Oct	Special Overview & Scrutiny Committee to discuss call in. Call in dismissed.
15 Oct	Process starts to enable flexible loan facility for MGL (led by Jon T.)

Appendix 2

21 Oct	Formal appointment of Consultant for Strategic and Operational review. In parallel discussions with GT (led by Jon Topping) for the finance and governance review
22 Oct	Meet with Consultants (Melanie Sensicle) to scope the strategic and operational review (SM, HN, AB, JW and Nick Bishop). Agreed for review to include stakeholder survey and survey to GCC councillors. Timetable for reporting agreed as: <ul style="list-style-type: none"> - 6th December: interim findings and draft recommendations (to subset of MGL Board and GCC) - 10th December: receipt of final report - 12th December: MGL Board/GCC Cabinet consider reports - 15th December: publication of report prior to O&S Committee (GCC) - 19th December: Special O&S Committee
23 Oct	AB asked to provide interim support/management to the MGL team (until 22 Jan) MGL CEO suspended
31 Oct. – 6 Nov	Survey finalised; agreed with MGL Board and sent out via MGL/BID and GCC democratic services (stakeholder and GCC councillors)
31 Oct	Quarterly performance monitoring meeting (JW; SM; AB; JT).
6-7 Nov	Consultants on site for group interviews (strategic/operational review) MGL CEO disciplinary hearing (6 Nov)
12-13 Nov	Consultants on site for 1:1 interviews (strategic/operational review)
From 6 Nov	GT appointed and finance and governance review being scoped; interviews and document review carried out.
6 Dec.	Presentation of interim findings and draft recommendations to MGL (JW, NB) and GCC (SM, HN, AB, JL)
12 Dec.	MGL Board meeting – consideration of report findings and GCC recommendations. Also dismissal of CEO. Cabinet Briefing – consideration of report findings and report/recommendations to Cabinet
18 Dec	MGL Board dismissal of bookkeeper
19 Dec.	Special Scrutiny Committee to consider consultant reports and report/recommendations to Cabinet
2020	
From 2 Jan	Procurement process for interim CX (invited 5 expressions of interest, shortlisted 3 candidates)
4 Jan	End of appeal period for MGL CEO dismissal. No appeal received.
15 Jan	Cabinet meeting – approval of recommendations
16 Jan	MGL Board meeting to acknowledge GCC report/recommendations including transfer of City events programme; accounts sign off; staff redundancy notice agreed. Request for interim finance officer support from GCC. Interviews for interim CX and appointment of Steve Brown (SB)
17 Jan	MGL staff redundancy notices (notice at risk) issued
22 Jan	Steve Brown starts his role as interim CX
23 Jan (until 21 Feb)	Hadrian Walters (HW) starting to provide financial support to MGL, in particular: review of creditors/obligations; introduction of finance processes; oversight of payments
12 Feb	Meeting of Informal Cabinet plus officers (AB, HW, JMcG) and SB to review the financial position of MGL and future options. Agreement not to provide further investment
13 Feb	Tel call with IP (Bishop Fleming) to understand process (JW; SB; AB)

Appendix 2

	<p>MGL Board meeting – passed a resolution to commence insolvency procedures</p> <p>Tel call with IP – confirm next steps</p> <p>Decision to cease operation. Office closed. Assets secured. Staff asked to leave the offices and de facto redundancy.</p> <p>JW meeting with Group Leaders and Deputy Leaders to brief them on the MGL board’s decision to commence insolvency procedures.</p>
18 Feb	Four MGL staff start with City Council on short-term contracts
19 Feb (until 25 Feb)	Work with IP, including drafting of Statement of Insolvency Practice 6
25 Feb	<p>MGL Board meeting</p> <ul style="list-style-type: none"> - Resolution to voluntarily wind up MGL - Resolution to appoint JW of BF as Liquidator - Resolution to appoint Jennie Watkins as director of UKDRIC and authorized to remove existing directors <p>City Council Cabinet Member Decision to same effect.</p>
27 Feb	JW writes to creditors

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