

Report to:	Sutton Shareholders Board	Date:	5 February 2019
Report title:	Cognus Mid Year Performance Report		
Report from:	Nick Ireland, Acting Strategic Director, People Directorate		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Sunita Gordon		
Author(s)/Contact Number(s):	Kieran Holliday, Head of Pupil Based Commissioning		
Corporate Plan Priorities:	<ul style="list-style-type: none"> ● Being Active ● Making Informed Choices ● Living Well Independently ● Keeping People Safe 		
Open/Exempt:	Open		
Signed:		Date:	24 January 2019

1. Summary

- 1.1 This report and associated appendix provides information on the mid year performance of Cognus Ltd against the 2018/19 business plan presented to the Sutton Shareholdings Board on 27 June 2018.

2. Recommendations

The Sutton Shareholders Board is recommended to:

- 2.1 Note the mid year performance report in Appendix A against the Business Plan.

3. Background

- 3.1 The Cognus Ltd Business Plan for 2018/19 included four key priorities for the year:

1. Deliver high quality, value for money services that maximise the impact for our customers and for which we can be held to account
2. Provide strong governance, leadership and accountability for our shareholders and as a provider of public services

3. Improve our capability through organisation development and investing in our people. This includes developing skills through training and professional development

4. Secure additional income through new and existing markets and services

3.2 The appendix document provides information against each of the priorities set out above.

4. Issues

4.1 The report from Cognus provides a high level summary of the performance of the company against their Business Plan from a shareholders perspective, including the financial performance of the company. It is not intended to be a summary of the performance of individual services within the company.

4.2 As was discussed with the Sutton Shareholdings Board in June, there were some elements of the 2018/19 business plan that require further refinement for 2019/20. This relates to performance targets some of which are not currently in a SMART format or use a quantitative metric to measure a qualitative judgement. The Company is in the process of budget setting and Business Planning. The format for next year will include much smarter objectives, but the Company would also welcome any other feedback from the Sutton Shareholders Board in this regard.

4.3 Alongside this the Council will be undertaking a commissioning and contract review to strengthen the way in which the Council sets expectations around the services it commissions from Cognus and the commissioning agreement currently in place. It is expected that this will help clarify key performance indicators and contract management processes moving forward.

4.4 Clearly a significant amount of work has been achieved by the Company in 2018/19 with a number of successes as outlined in the review. The financial performance of the company is strong with pre tax profits exceeding the target set in the original business plan.

4.5 Officers are aware that in this regard, the company wishes to better understand the longer-term strategic aims of the majority Shareholder. The Company must operate with a level of surplus to allow for unforeseen costs and to pay debts as they fall due, as a result the Board of Directors has implemented an initial reserves policy. Whilst this is sensible, the company is generating a surplus against increases in income which in some cases may be funded by the London Borough of Sutton. This company is keen to understand the Board's views on this tension when considering future business planning activities.

4.6 It is notable that sales to schools and the number of schools that receive a Cognus service has reduced in the year albeit this is mitigated to an extent by the relative success of the company to trade in other Local Authority areas and that income overall has increased. Whilst the growing commercial mindset of the company is demonstrable, given the original intentions of the establishment of the company, care will need to be taken to ensure that value for money is demonstrable and that a solid customer base remains within the Borough.

5. Options Considered

5.1 There are no options considered as part of this report.

6. Impacts and Implications

Financial

6.1 Cognus has received funding from the council's Dedicated Schools Grant (DSG) and General Fund of £2.695m and £2.092m respectively in 2018/19. The financial performance in the Cognus mid-year report indicates that as at November 2018 (month 8) there is a year end forecast pre-tax profit of £209k.

Legal

6.2 There are no legal implications. The purpose of this report is to provide an update to the Shareholder as to the company performance.

7. Appendices and Background Documents

Appendix letter	Title
A	Cognus Half Year Review 2018/19

Background documents
Cognus Business Plan - 2018/19

Audit Trail		
Version	Final	Date: 24 January 2019
Consultation with other officers		
Finance	Yes	Sue Holmes
Legal	Yes	Rachel Godson Amamoo
Equality Impact Assessment required?	No	N/A

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