

Cabinet – Supplementary agenda No. 3

A meeting of the Cabinet will be held on:

Date: 4 February 2020

Time: 3.00pm

Venue: Meeting Room 2 - Level 3, Gun Wharf, Dock Road, Chatham ME4 4TR

Items

- 7. Housing Revenue Account Capital and Revenue Budgets 2020/21** (Pages 3 - 6)

Please find attached an addendum report which provides comments from the Business Support Overview and Scrutiny Committee.

- 8. Council Plan Refresh 2020/21** (Pages 7 - 8)

Please find attached an addendum report which provides comments from the Business Support Overview and Scrutiny Committee.

- 9. Capital and Revenue Budgets 2020/21** (Pages 9 - 20)

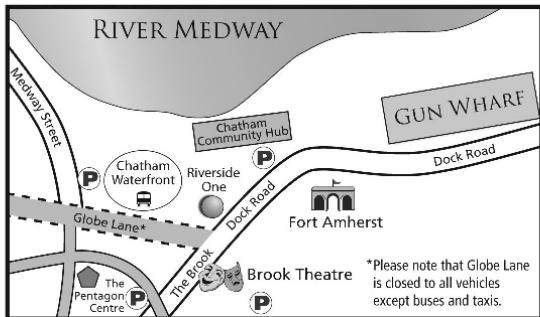
Please find attached an addendum report which provides comments from the Business Support Overview and Scrutiny Committee and sets out a recommendation from the Employment Matters Committee.

- 12. Medway Commercial Group - Six Monthly Progress Report and Business Plan Adoption** (Pages 21 - 24)

Please find attached an addendum report which provides comments from the Business Support Overview and Scrutiny Committee.

For further information please contact Teri Reynolds, Democratic Services Officer on Telephone: 01634 332104 or Email: democratic.services@medway.gov.uk

Date: 4 February 2020



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CABINET

4 FEBRUARY 2020

HOUSING REVENUE ACCOUNT CAPITAL AND REVENUE BUDGETS 20/21 ADDENDUM REPORT

Portfolio Holder:	Councillor Howard Doe, Deputy Leader and Portfolio Holder for Housing and Community Services
Report from:	Richard Hicks, Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive
Author:	Phil Watts, Chief Finance Officer Mark Breathwick Head of Strategic Housing Michael Turner, Democratic Services Officer

Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee which considered the Housing Revenue Account Capital and Revenue Budgets 2020/2021 report on 30 January 2019.

1. Background

- 1.1 Members considered a report regarding the Housing Revenue Account (HRA) capital and revenue budgets for 2020/21, including details of proposed rent and service charge levels for 2020/21 and the latest revised forecasts of the HRA Business Plan.
- 1.2 The following issues were discussed:
 - 1.2.1 **Universal Credit (UC)** – concern was expressed that 53% of all current rent arrears were attributable to the 13% of council tenants on UC. In response to whether this situation might worsen, the Head of Housing acknowledged UC was a significant challenge and the situation would probably worsen to an extent. Residents were supported by the Council to ensure they received as much income as possible but certain things, such as the lead in time for UC,

were outside its control. The Council's performance on rent arrears was good in comparison with others.

- 1.2.2 **Housing Building Development Programme** – the Head of Housing advised that he did not have any data on performance in comparable authorities but would look at whether some comparative data could be obtained.
- 1.2.3 **Lifting of HRA Cap** – regarding the lifting of the HRA borrowing cap it was queried when the work mentioned to analyse and understand the sustainability and level of borrowing the Council could afford to undertake further new house building programme in the future would be completed. The Head of Housing advised that specialist advice was being sought on this, which should be received within the next three months.
- 1.2.4 **Business Plan** – the levels of discount available under the right to buy scheme was queried and also how these properties were being replaced. Why the loss of properties was projected over 30 years while the figures for new builds only covered the next two years was also questioned. Members were advised that the maximum discount under Right to Buy was 70% of the property's value or £82,000, whichever was the lower. The Plan factored in a loss of 10 homes per year and a further 32 new homes in 2021/22, representing what was in the pipeline now. More analysis would be done to see what more could be afforded over the period of the Business Plan, which would then be amended accordingly.
- 1.2.5 **Government policy on rent charges** – as to whether any new Government policies on rent charges were expected, the Head of Housing commented that there was no certainty in the long term but over the next 5 years rents could be increased by CPI plus 1% per annum.

2. Recommendation

- 2.1 The Committee agreed to recommend the following to Cabinet:
 - a) a proposed rent increase of CPI plus 1% for the housing stock as set out in Appendix A to the report (based on 52 collection weeks) with effect from 6 April 2020
 - b) the baseline garage rent for Council tenants be increased by 30 pence per week to bring in line with non council tenants garage rent with effect from 6 April 2020.
 - c) that a rent increase of 5% to be applied to all garage tenure types with effect from 6 April 2020.
 - d) that the service charges increases/decreases as set out in Appendix B of the report for 2020/21 be approved.
 - e) that the revenue budget for the HRA Service for 2020/21 as per Appendix C to the report be approved.
 - f) that the proposed capital budget of £0.3m be approved for buying ex

- council or/and acquiring properties from the open market to be funded from the HRA revenue reserves and 1-4-1 capital receipts as set out in section 8.6 of the report.
- g) that the provision for the repayment of debt based on annuity based payment on the HRA's outstanding debt to be £0.340m for 2020/21 be approved.
 - h) That the revised 30 year HRA Business Plan model as attached at Appendix D to the report be approved.

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CABINET

4 FEBRUARY 2020

COUNCIL PLAN REFRESH 2020/21 ADDENDUM REPORT

Portfolio Holder: Councillor Adrian Gulvin, Resources

Report from: Phil Watts, Chief Finance Officer

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 Council Plan Refresh 2020/21 report on 30 January 2020.

1. Background

- 1.1 Members considered a report which presented a final summary of proposals for the measures that would be used to track performance against the Council Plan 2020/21.
- 1.2 The additional measures relating to children's services were welcomed and would help O&S Members to monitor progress.
- 1.3 The point was made that the Audit Committee also had an important role in identifying and minimising risks, ensuring value for money was achieved and providing an early warning of problems. The Chief Finance Officer advised that the internal audit plan for next year had an increased focus on children's services and additional funding had been agreed for the IRO service within Children's Services. As the difficulties in children's services had not been identified in advance, all of the tools available to Members should be deployed to identify similar issues in the future.
- 1.4 A discussion took place regarding the relationship between children's services targets in the Council Plan and Directorate targets and whether O&S Members should be able to access information on the latter where this was shared with Portfolio Holders.
- 1.5 Reference was made to the proposal to remove the target that measured the percentage of looked after children who achieved the required standard in GCSE English and maths. The point was made that it was still important to understand

how this cohort were performing and it was suggested this should be monitored by the Corporate Parenting Board.

- 1.6 Reference was made to the issue raised by the Commissioner for Children's Social Care about addressing the deficit of £10.3 million on the DSG High Needs reserve and the plan to work with the Clinical Commissioning Group to ensure NHS funding was provided in all appropriate cases. Noting that the NHS contribution to funding SEN placements in Medway had been historically quite low, the Committee asked if the Commissioner could help by raising it with the CCG, as well as the issue of high waiting lists for children's medical services. This suggestion would be raised with the Director of People – Children and Adults Services and the outcome would be reported to Members.
- 1.7 Regarding partnership targets, it was argued that the proposal to remove targets because responsibility rested with a partner was misguided as there was a democratic mandate to ensure that Medway as a place functioned effectively.

2. Recommendation:

- 2.1 The Committee agreed to:
 - a) note the proposed changes to programmes and measures of success as listed in Appendix 1 to the report,
 - b) recommend that, following the proposed removal from the Council Plan of Measure N101 (the percentage of looked after children who achieve the required standard in GCSE English and maths) that performance be monitored by the Corporate Parenting Board.
 - c) note that those Council Plan measures still awaiting a proposed target, namely a proposed new qualitative measure on the calibre of social work and NI154 (net homes provided) will be further considered by the Corporate Management Team and that Full Council will be asked to delegate authority to the Chief Executive, in consultation with the Portfolio Holder for Resources, to agree the final measures.

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CABINET

4 FEBRUARY 2020

CAPITAL AND REVENUE BUDGETS 2020/21 ADDENDUM REPORT

Portfolio Holder: Councillor Alan Jarrett, Leader

Report from: Phil Watts, Chief Finance Officer

Report Authors: Michael Turner, Democratic Services Officer
Katey Durkin, Head of Finance Strategy

Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee, which discussed this matter on 31 January 2019.

This report also sets out a recommendation from the Employment Matters Committee to Cabinet that funding for the review of the MedPay scheme be identified as part of the 2020/21 budget process.

Please note that this addendum report constitutes Appendix 1 as referenced within the main Cabinet report.

1. Background

- 1.1. In accordance with the Constitution, Cabinet is required to develop 'initial budget proposals' approximately three months before finalising the budget and setting council tax levels at the end of February 2019. Overview and Scrutiny Committees have responsibility for scrutinising draft budget proposals and referring any comments back to Cabinet, to inform its consideration of the budget it intends to propose to Full Council.
- 1.2. While the decision on agreeing the scope and methodology of a review of MedPay is within the remit of the Employment Matters Committee, where the costs of delivering the review cannot be met from existing budgets then funding will require Full Council approval. At its meeting on 29 January 2020, Employment Matters Committee considered a report on the Review of MedPay that set out the need for any review to be carried out by an independent third party and would need a budget allocation of c£20,000 to £25,000. Employment Matters Committee recommended to Cabinet that funding for the review be identified as part of the 2020/21 budget process. The draft minutes of the discussion are provided at Section 6 of Appendix 1 to this report, while the full report to Employment Matters Committee is provided at Appendix 2.

2. Chief Finance Officer's comments

- 2.1. The comments of the Overview and Scrutiny Committees on the Draft Budget proposals are highlighted for Cabinet's consideration in Sections 1-5 of Appendix 1 to this addendum report.
- 2.2. The comments of the Employment Matters Committee on the Review of MedPay are highlighted for Cabinet's consideration in Section 6 of Appendix 1 to this addendum report.

3. Recommendations

- 2.1 That Cabinet considers the recommendations from overview and scrutiny committees as summarised in this addendum report, when finalising the budget it intends to propose to Full Council.
- 2.2 That Cabinet considers the recommendation from Employment Matters Committee as set out in the Review of MedPay report provided at Appendix 2 to this report, when finalising the budget it intends to propose to Full Council.

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Appendices

- Appendix 1: Comments from Overview and Scrutiny and Employment Matters Committees
- Appendix 2: Report on Review of MedPay to Employment Matters Committee, 29 January 2020

The relevant summaries from the minutes of these Committees which include Members' comments are set out below:

1. *Business Support Overview and Scrutiny Committee, 28 November 2019*

Draft Capital and Revenue Budget 2020/21

Discussion:

Members considered a report which provided an update on progress towards setting the Council's draft capital and revenue budgets for 2020/21.

Noting there was a need to carry out a 90 day consultation before making large numbers of staff redundant, a Member asked how this could take place before the Council budget meeting and what proposals there were in the draft budget to reduce staff numbers. Officers advised that there were no significant proposals which would trigger the requirement to carry out a 90 day consultation period.

A Member argued that the Council's decision not to consult the public on the draft budget proposals was flawed. The Council also needed to manage the communications issues around receiving £170m from the Housing Infrastructure Fund at the same time as agreeing revenue budget reductions. The point was made that there had been a recent 14% increase in Members' Allowances and it was disappointing staff were likely to receive a 1% pay increase following discussions negotiations with the trade unions which, for some, were not genuine negotiations. Another Member made the point that some Councillors would see a reduction in their Special Responsibility Allowance.

Decision:

The Committee agreed to:

- a) note that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2020/21 and beyond, and;
- b) note the proposals outlined in the draft capital and revenue budgets and forward the proposals to the individual Overview and Scrutiny Committees.

2. *Children and Young People Overview and Scrutiny Committee, 3 December 2019*

Draft Capital and Revenue Budget 2020/21

Discussion:

The Head of Finance Strategy introduced the report which updated on the progress towards setting the Council's draft capital and revenue budgets for 2020/21. It was based on the principles of the Medium Term Financial Strategy (MTFS) 2019-2024 approved by Cabinet in September and reflected the latest formula grant assumptions. She explained that the draft budget reflected certain amendments,

such as the deficit on the Dedicated Schools Grant (DSG) High Needs reserve for Special Education Needs and Disabilities (SEND) no longer being recovered from the general fund, following a consultation published by the Government in October, which stated its intention that DSG deficits should be recovered from DSG income and not general funds.

A Member raised concern about the human cost in delivering services such as children's social care, Special Education Needs and Disabilities Services and school transport with current funding. In response the Director of People – Children and Adult Services explained that the plan to address the high needs DSG deficit would need to be a three year plan as it would not be possible to resolve the cumulative deficit, which was projected to be £10.3 million by the March 2020, in one year. He also added that the Association of Directors of Children's Services was raising the issue of adequate funding which was needed to meet the requirements of the 2014 reform in SEND.

The Director also explained that following the inadequate finding of the recent Ofsted Inspection and the action and redesigning of children's services that would be required as a result and was ongoing, there may be some realignment of budgets across services as the budget setting process progresses.

Decision:

The Committee noted that Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2020/21 and beyond and requested its comments to be forwarded on to the Business Support Overview and Scrutiny Committee in January.

3. *Regeneration, Culture and Environment Overview and Scrutiny Committee, 5 December 2019*

Draft Capital and Revenue Budget 2020/21

Discussion:

The Committee received a report providing an update on progress towards setting the Council's draft capital and revenue budgets for 2020/21.

The report set out the process by which the budget would progress through to Cabinet and Council in February 2020.

Decision:

The Committee noted that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2020/21 and beyond.

4. *Health and Adult Social Care Overview and Scrutiny Committee, 16 January 2020*

Draft Capital and Revenue Budget 2020/21

Discussion

The Chief Finance Officer advised that the process of developing the 2020/21 Council budget had begun in September 2019, with consideration of the Medium Term Financial Strategy (MTFS) by Cabinet. The MTFS had identified a gap of £5.956 million. Portfolio Holders and officers had been working together on proposals to address this deficit and savings identified would be included in the final budget to be presented to Cabinet in February. It was not anticipated that there would be any additional grant that would significantly change the Council's budgetary position.

It was questioned how achievable the savings required in the Children and Adults directorate were in view of the pressures faced and the continuing national strain on social care. The Director People – Children and Adults acknowledged that there was significant pressure in the directorate regarding children's services. Following recent publication of the Commissioner's report on ways forward for Medway Children's Services, substantial investment in Children's Services had been agreed with Members. It was anticipated that this would lead to improved service quality.

Medway had been one of 32 local authorities required to develop a deficit plan in relation to the Dedicated Schools Grant, due to overspend. In relation to Special Educational Needs and Disability (SEND) provision, Ofsted and the Care Quality Commission had indicated there being a need to continue working with the education sector to improve inclusion. Growth in demand for Adult Social Care impacted on performance. Whilst there was currently a good supply, work was taking place with residential, nursing and domiciliary care providers to ensure this continued. The Assistant Director – Adult Social Care said that the MTFS had accounted for growing demand for adult social care services. £1.5 million of savings had already been identified with there being a £4million pressure for 2020/21.

It was asked whether there was concern about the provider market locally. The Assistant Director said there had not been significant handing back of contracts by providers and that levels in Medway were lower than elsewhere. The local homecare market was strong with a reprocurement exercise having been undertaken ahead of a new framework going live from April 2020. While there was good supply of nursing and residential care there were challenges in relation to nursing dementia provision. Work was being undertaken with the provider to bring forward additional provision.

Concern was expressed about rising demand for services and fragility associated with the continual need to make savings, including the required savings in public health in the context of new health plans having a specific focus on prevention. The Director of Public Health said that the NHS would be putting resources into prevention. It was not yet known how much Public Health funding would be available for 2020/21 but nationally there was an expectation of an average increase of 5.1%. The NHS had already provided nearly £0.5 million for preventative programmes across Kent and Medway and NHS Medway Clinical

Commissioning Group had also provided additional resource. There were currently sufficient resources available to deliver core public health services.

A question was asked about how Council budgets accounted for the impact of environmental factors on public health. The Chief Finance Officer said that the increase in the Public Health Grant for 2020/21 had been expected to be £800,000 when the MTFS had been produced but was now expected to be £430,000. The Director of Public Health said that £1million of European funding had been secured for Social Prescribing and that work was taking place with Medway CCG to deliver additional wellbeing navigation. Environmental considerations that would help to mitigate against future negative impacts needed to be factored into commissioning processes.

Decision

The Committee:

- i) Noted that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2020/21 and beyond.
- ii) Commented on the proposals outlined in the draft capital and revenue budgets in so far as they relate to the services within the remit of this committee for this to be fed back to the Business Support Overview and Scrutiny Committee in January.

5. *Business Support Overview and Scrutiny Committee, 30 January 2020*

Draft Capital and Revenue Budget 2020/21 and report back from other Overview and Scrutiny Committees

Discussion:

Members considered a report which provided an update on progress towards setting the Council's draft capital and revenue budgets for 2020/21. The draft budget was based on the principles contained in the Medium Term Financial Strategy (MTFS) 2019-2024 approved by Cabinet in September and reflects the latest formula grant assumptions.

A discussion took place about the £725,000 pressure in the draft budget in relation to Pentagon Centre income. The Chief Finance Officer advised that external advice had been sought on income levels before the Centre had been purchased and an assumption had been made in the 2019/20 budget of £2.6m rental income, offset by the cost of borrowing, leaving a net income figure of £1m. The Council's agents had now identified further risks which were shown in the 2020/21 budget as a potential pressure of £725,000. The latter was a worst case scenario and the revised estimate was closer to £0.5m. The pressure was caused by a number of rent free periods negotiated when rent reviews had taken place. Rental income would decrease next year and was then expected to increase. The Council was looking into the adequacy of the external advice it had received on this matter.

Decision:

The Committee agreed to note that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2020/21 and beyond.

6. *Employment Matters Committee, 29 January 2020***Review of MedPay****Discussion:**

Members considered a report regarding a review of the Medpay Scheme, following initial discussion on the report at the Joint Consultative Committee earlier in the evening.

The report stated that a scoping paper had been presented to the Committee in January 2019 which proposed an independent review of the Medpay Scheme. However, the Committee had decided not to proceed at that time. Following a further discussion in June 2019 the Committee wanted to look again at whether the scheme should be independently reviewed in order that Members could satisfy themselves it was robust and delivering its objectives fairly.

Members raised a number of questions and comments, which included:

Employee Engagement Survey – it was noted from the results of the Employee Engagement survey that staff were asking for a review of Medpay, therefore, it was important that such a review should be undertaken.

Recruitment – whether there was a risk around recruitment, for example, the recruitment of social care staff. The Head of HR stated that whilst there was not a specific risk about the recruitment of social care staff, given that the Council could pay a market premium for such staff, there was a potential issue around the retention of social care staff, once in post.

Good practice – the proposed review of Medpay would reflect best practice to ensure that policies were kept under review and would ensure that the policy would remain fit for purpose.

Decision:

The Committee agreed to:

- a) delegate to the Head of HR the authority to finalise the scope of the review and appoint an independent provider to carry out the review, following consultation with the Chairman of the Committee and the Opposition Spokesperson, and
- b) recommend to Cabinet that funding for the review be identified as part of the 2020/21 budget setting process.



EMPLOYMENT MATTERS COMMITTEE

29 JANUARY 2020

REVIEW OF MEDPAY

Report from: Carrie McKenzie, Assistant Director - Transformation

Author: Samantha Beck-Farley, Head of HR Services

Summary

Following a decision made at the December 2018 meeting of the Employment Matters Committee to review the Council's current performance pay arrangements (known as MedPay), a scoping paper was presented in January 2019 which proposed an independent review of the Medpay Scheme. The Committee decided not to proceed at that time. Following a further discussion in June 2019 the Committee wanted to look again at whether the scheme should be independently reviewed in order that Members could satisfy themselves it was robust and delivering its objectives fairly. This paper presents Members with a further opportunity to ask for a review of the Medpay Scheme.

1. Budget and Policy Framework

- 1.1 A decision on agreeing the scope and methodology for a review of MedPay is for this Committee and where the costs of delivering the review cannot be met from existing budgets then funding will require Full Council approval.

2. Background

- 2.1 The Council's current performance related pay arrangements (known as MedPay) were introduced in April 2014. At the Employment Matters Committee meeting held on 5th December 2018, Members agreed to receive a paper on the proposed scope of a review of Medpay and the estimated costs.
- 2.2 At the Employment Matters Committee meeting held on 30th January 2019 a paper was presented to request c£25,000 to carry out the independent review. This Committee decided not to proceed.
- 2.3 At the Employee Matters Committee meeting held on 12th June 2019 the Committee agreed to look again at whether the Scheme should be independently reviewed in order that Members could satisfy themselves it was robust and delivering its objectives fairly. The point was made that if an Employment Tribunal found that the scheme was discriminatory it could cost the Council more than the estimated cost of having the scheme independently reviewed.

- 2.4 It was argued the Council, as a responsible employer, had an obligation to commission an independent review.
- 2.5 It was proposed that the reconsideration of whether to review the scheme should take place later in the year at the same time the results of the latest employee survey were considered.

3. Consultation with Trade Unions on the scope of the review

- 3.1 The Unison and GMB Trades Unions were previously invited to submit details of areas of the MedPay scheme that they wanted to form the scope of review. Their combined responses are listed below:

- Is the overall distribution of MedPay monitored to ensure that it is sufficiently equality proofed?
- Is it a fair and consistent scheme in both theory and application?
- How does it further the objectives of the organisation?
- Does MedPay provide a real incentive for all staff and improve individual performance?
- Does it encourage a culture of high performance?
- How is MedPay currently monitored?
- How does Medway compare to NJC pay awards since its inception?
- What pay schemes are in operation in other Kent councils?
- Have any other Kent councils chosen not to adopt a MedPay type arrangement?

- 3.2 It is recognised that colleagues who are engaged on MedPay terms and conditions of employment may be members of other Trade Unions. However, for expediency and to reflect that pay negotiations are only undertaken with Unison and GMB, other trade unions were not invited to make submissions.

- 3.3 Since then Unison have carried out a further survey of its members. However this detail has not been shared yet but can be factored into the review.

4. Staff Survey – Pay and reward

- 4.1 The annual employee engagement survey is one of the main industry accepted ways of measuring employee engagement.

- 4.2 The survey opened for four weeks in June and received a 48% response rate – achieving a 9% increase from the previous survey in 2017.

- 4.3 Whilst 10% more staff were satisfied with the total reward package than in 2017, the figure remains low at 39%. Staff were asked to put in their own words suggestions for non-pay alternatives for recognition. These can be found in Appendix one to the report on the Employee Engagement Survey elsewhere on this agenda.

- 4.4 19% of all free text responses received related to pay and reward, examples of which are set out below:

Redesign Medpay to allow a wider range of achieving and removing the wider contribution

Please review Medpay it is a poor system and the PDR is a tick box exercise

Fair award pay system required

Lack of pay rise is a huge demotivator

Being on the same money for 6 years is why I'm looking for work else where

Medpay is not fit for purpose. It is easily manipulative and staff are not awarded fairly

Medpay is possibly the biggest mistake the authority has made.

Medpay was introduced as a solution to a difficult finance situation at that time, unfortunately the system is flawed and needs reviewing or preferably scrapped.

Medpay doesn't allow our pay to align to other boroughs

5 Advice and analysis

- 5.1 Recognising the areas identified at paragraphs 3.1 and 4, and to mitigate any challenge on the findings, the review would need to be carried out by an independent third party.
- 5.2 Based on initial research, a review of this nature may take between three to four weeks to complete, excluding the work required to fully scope the terms of the review and to commission a provider.
- 5.3 Consultant fees vary but initial research indicates that it would be reasonable to base an estimate of £1000 per day, with associated expenses.
- 5.4 Therefore based on an estimated 20 working days a budget of c£20,000 to £25,000 would need to be allocated to this project.
- 5.5 The Council's current procurement thresholds require three quotations for any commissioned work that falls within a banding of £5000 and £100,000.

6. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
That the current MedPay Scheme is not fit for purpose and discriminates against some cohorts of staff bring the council into conflict with the Equality Act 2010.	The Trade Unions have challenged that the performance related pay element of the MedPay scheme may discriminate against part-time workers who are predominantly female.	To continue to robustly manage the MedPay scheme and to closely monitor the equalities data.	D2
That the current MedPay Scheme is not fit for purpose and the Council will lose their skilled workforce to other work providers.	The Trade Unions have challenged that the removal of increments from pay have meant many people have not had increases to salaries, compared with market average.	To continue to monitor exit surveys and reasons for leaving.	D2

7. Financial implications

- 7.1 There is currently no budget allocation to fund this project and any spend will create a financial pressure.

8. Legal implications

- 8.1 There are no direct legal implications to this report.

9. Recommendations

9.1 *To comment on the proposed scope of the review.*

- 9.2 To delegate to the Head of HR the authority to finalise the scope of the review and appoint an independent provider to carry out the review, following consultation with the Chairman of the Committee and the Opposition Spokesperson.
- 9.3 To recommend to Cabinet that funding for the review be identified as part of the 2020/21 budget setting process.

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Appendices:

None

Background papers:

None



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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