

## **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

**31 JANUARY 2017**

### **CALL-IN: TRADED SERVICES - CATEGORY MANAGEMENT AND STAFFING AGENCY**

Report from: Perry Holmes, Chief Legal Officer  
Carrie McKenzie, Chief People Officer

Author: Michael Turner, Democratic Services Officer

#### **Summary**

This report advises the Committee of two notices of call-in received from six Members of the Council of the Cabinet's decisions 176–179/2017 to:

- a) approve the creation of a new subsidiary for Category Management under the MCG parent/holding company
- b) delegate authority to the Chief Legal Officer, in consultation with the Leader, the relevant Portfolio Holder(s) and Chair of the MCG Ltd Board to finalise the governance arrangements for the new company and complete any necessary legal requirements and any other arrangements as necessary
- c) approve the establishment of a subsidiary of Medway Commercial Group to be called Medway Staffing Agency or an appropriate alternative
- d) delegate authority to the Chief Legal Officer, in consultation with the Leader, the relevant Portfolio Holder(s) and Chair of the MCG Ltd Board to finalise the governance arrangements for the new company and complete any necessary legal requirements and any other arrangements as necessary.

The Committee must consider the Cabinet decisions and decide either to take no further action, to refer the decisions back to Cabinet for reconsideration or to refer the matter to full Council.

#### **1. Budget and Policy Framework**

- 1.1 In accordance with Chapter 4, part 5, paragraph 15.3 of the Constitution with regard to decisions, Cabinet decisions 176-179/2017 have been called-in to this Committee by six Members of the Council.

## 2. Background

2.1 The Cabinet considered these matters on 17 January 2017 and the discussions and decisions are set out below:

### a) Category Management Traded Services

#### **Background:**

*This report provided details of proposals to create a traded service for the delivery of category management services. The report gave details of six potential models and recommended the establishment of a Local Authority Trading Company as a subsidiary of Medway Commercial Group (MCG).*

*This would enable the combined team to attract external customers across the region. It was stated that MCG already had financial accounts, governance arrangements, policies, procedures and systems to meet commissioners' requirements for compliance, governance and deliverability.*

*The report stated that a Diversity Impact Assessment (DIA) screening would not be undertaken as part of the implementation process as the service did not affect front line services.*

*An exempt appendix set out the outline business case, options appraisal and detailed business case.*

#### **Decision number. Decision:**

176/2017	<i>The Cabinet approved the creation of a new subsidiary for Category Management under the MCG parent/holding company.</i>
177/2017	<i>The Cabinet agreed to delegate authority to the Chief Legal Officer, in consultation with the Leader, the relevant Portfolio Holder(s) and Chair of the MCG Ltd Board to finalise the governance arrangements for the new company and complete any necessary legal requirements and any other arrangements as necessary.</i>
	<i>The Cabinet noted that the Chief Executive will make the necessary appointments to this and any MCG Subsidiary Boards subsequently established under his delegation from full Council in consultation with Group Whips and having taken into account the views of the Leader and the Chair of MCG Ltd Board.</i>

**Reasons:**

*As the council moves into future years, the budgets for services are becoming increasingly difficult to maintain for statutory services. The opportunity to allow the Category Management team to trade externally and deliver its primary pipeline internally, will allow for the team costs to become neutral over time, and an income being brought back to the council that it did not have before.*

*Medway Commercial Group is an established Medway Council owned trading company that will provide the most efficient way of delivering traded procurement services.*

*This ownership model allows for any surplus or dividend arising from its success to be paid back to a Council for further investment in services or to facilitate savings. This dual element of control (through contract and through governance) allows flexibility, but lowers risk in terms of strategic alignment.*

**b) Staffing Agency Traded Services****Background:**

*This report provided details of proposals to create a traded service for the delivery of a staffing agency. The report gave details of six potential models and recommended the establishment of a Local Authority Trading Company as a subsidiary of Medway Commercial Group (MCG) as the sole arm for recruiting temporary staff within the Council. In addition to this it would be beneficial for this company to be in a position to provide a recruitment service to other organisations such as Employ Medway, Schools, Academies and the NHS at a cost.*

*An exempt appendix set out the outline business case, options appraisal and detailed business case.*

**Decision number: Decision:**

*178/2017 The Cabinet approved the establishment of a subsidiary of Medway Commercial Group to be called Medway Staffing Agency or an appropriate alternative.*

*179/2017 The Cabinet agreed to delegate authority to the Chief Legal Officer, in consultation with the Leader, the relevant Portfolio Holder(s) and Chair of the MCG Ltd Board to finalise the governance arrangements for the new company and complete any necessary legal requirements and any other arrangements as necessary.*

*The Cabinet noted that the Chief Executive will make the necessary appointments to this and any MCG Subsidiary Boards subsequently established, under his delegation from Full Council in consultation with Group Whips and having taken*

*into account the views of the Leader and the Chair of the MCG Ltd Board.*

**Reasons:**

*The cost of recruiting staff through external agencies is placing a huge burden on the Council's budget. Establishing an agency will significantly reduce these costs.*

*Medway Commercial Group is an established Medway Council owned trading company that will provide the most efficient way of employing agency staff whilst maintaining quality standards and driving down costs.*

- 2.2 Decisions 176-179/2017 set out in paragraphs 2.1 a) and b) above were subsequently called in by six Members of the Council. The reasons for the call in in respect of these decisions are as follows:

*This decision is being called in to allow for full scrutiny prior to a substantial change in council structures.*

**3. Options**

- 3.1 The options open to this Committee in dealing with this call in are to:

- a) ask Cabinet to reconsider its decisions if Members have concerns about them (setting out in writing the nature of any concerns), or
- b) refer the matter to full Council so Council can decide whether or not to object to the decisions and, if so, then refer them back to Cabinet for reconsideration, or
- c) to consider the matter and accept the Cabinet decisions.

- 3.2 In accordance with rule 15.8 of the constitution, Overview and Scrutiny Committees should normally only use the power to refer a matter to the full Council for consideration with a request for referral back to the decision-maker if it considers either:

- a) that the decision is contrary to the policy framework or contrary or not wholly in accordance with the budget;
- b) where a request for call-in is signed by six or more members representing at least two political groups.

**4. Risk Management**

- 4.1 Risk management is addressed in section 5 of the Cabinet reports attached at Appendices A and C.

## **5. Financial and legal implications**

51 The financial and legal implications are set out at sections 7 and 8 of the Cabinet reports attached at Appendix A and C.

5.2 In accordance with Chapter 4, part 5, paragraph 15.3 of the Constitution, six members of the Council may call in a decision for scrutiny by the relevant Overview and Scrutiny Committee.

## **6. Recommendations**

6.1 The Committee is asked to consider the called-in Cabinet decisions and decide either to:

6.1.1 accept the Cabinet decisions 176-179/2017 set out in paragraph 2.1 of this report and to take no further action or;

6.1.2 refer the decisions back to Cabinet for reconsideration, setting out the reasons for the referral back or;

6.1.3 refer the decisions to full Council so Council can decide whether or not to object to the decisions and, if so, then refer them back to Cabinet for reconsideration (taking into account the advice in paragraph 3.2 above).

## **Lead officer contact**

Michael Turner, Democratic Services Officer

Tel: 01634 332817

Email: [michael.turner@medway.gov.uk](mailto:michael.turner@medway.gov.uk)

## **Background papers**

As set out in the Cabinet reports at Appendix A and Appendix B.

## **Appendices**

Appendix A – Report to 17 January 2017 Cabinet meeting – Category Management Traded Services

Appendix B – Exempt Appendix (Category Management Outline Business Case and Options Appraisal)

Appendix C – Report to 17 January 2017 Cabinet meeting – Staffing Agency Traded Services

Appendix D – Exempt Appendix (Staffing Agency Outline Business Case and Options Appraisal)