

Medway Council
Meeting of Business Support Overview and Scrutiny
Committee

Tuesday, 31 January 2017

6.30pm to 11.50pm

Record of the meeting

Subject to approval as an accurate record at the next meeting of this committee

- Present:** Councillors: Carr (Chairman), Etheridge (Vice-Chairman), Freshwater, Griffiths, Maple, Murray, Opara, Tejan and Wildey
- Substitutes:** Councillors:
Mrs Diane Chambers (Substitute for Clarke)
Mrs Josie Iles (Substitute for Avey)
- In Attendance:** Marc Blowers, Head of Housing Management
Mark Breathwick, Head of Strategic Housing
Councillor Howard Doe, Deputy Leader and Portfolio Holder for Housing and Community Services
Stephanie Goad, Assistant Director Transformation
Perry Holmes, Chief Legal Officer/Monitoring Officer
Carrie McKenzie, Chief People Officer
Morounfolu Olatuja, Lawyer, Place Team
Vikram Sahdev, MCG Solutions
Michael Turner, Democratic Services Officer
Councillor Rupert Turpin, Portfolio Holder for Business Management
Phil Watts, Chief Finance Officer

677 Apologies for absence

Apologies were received from Councillors Avey, Clarke and Royle.

678 Record of meeting

The record of the meeting held on 5 January 2017 was agreed and signed by the Chairman as correct.

679 Urgent matters by reason of special circumstances

There were none.

680 Declarations of interests and whipping

Disclosable pecuniary interests

There were none.

Other interests

Agenda Item 7 – Call In: Business Rate Relief

Councillor Wildey declared an interest as a member of Woodies Youth Centre Management Committee.

Councillor Etheridge declared an interest as a member of Headway for Medway Steering Group.

Councillor Tejan declared an interest as a member of Medway Towns Sea Cadets.

Councillor Carr, declared an interest as a Trustee of Chatham Historic Dockyard.

Councillor Murray declared an interest as a member of Rochester Grammar School for Girls Charity.

Councillor Maple declared an interest as a Trustee of Chatham Maritime Trust who benefited from the 20% discretionary rate. He added that he felt strongly that the Cabinet had taken the wrong decision. Although he was predisposed on the policy at the moment he had been advised that did not prevent him speaking and voting. Ultimately it was for Cabinet to set the Business Rates policy. As the call-in was about reviewing the process that led to the Cabinet decision he would listen carefully to the debate and make a decision on what, if anything, to propose.

Agenda Items 11 and 12 (Medway Commercial Group Ltd First Year Quarter Report) and (Procurement Strategy).

Councillor Griffiths declared an interest as a non executive Director of MCH.

681 Attendance of the Deputy Leader and Portfolio Holder for Housing and Community Services

Discussion:

Members received an overview of progress on the area within the terms of reference of this Committee covered by Councillor Howard Doe, Deputy Leader and Portfolio Holder for Housing and Community Services, i.e.

- Disabled adaptations to housing
- Homelessness and housing options

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- Housing management and allocations
- Housing strategy
- Private sector housing
- Housing Landlord Services (HRA)
- Development of the Council's housing stock
- Adult learning
- Libraries and Community Hubs

Councillor Doe responded to Members' questions as follows:

Housing

A Member asked whether the Council was prepared to make further representations to the Government on allowing Councils more flexibility to build new houses. Councillor Doe replied that there was a recognition not enough was being done at a national level to facilitate new housing. The Council was expecting a response on this point from its representations as a result of the work of the Housing Task Group. Dependant on the response he was prepared to make further representations. He considered that the forced reduction of rents was an ill advised policy which would reduce funding to the Housing Revenue Account by almost £6m over a four year period. The possible risk of between £0.5-£1m grant being clawed back was not helpful in terms of planning. If this did not happen then the HRA would be in a reasonable position. If it happened at the upper end of projections then strong representations would be made. The Homes and Community Agency were discussing making more funds available for house building, which the Council would be looking very closely at. The Council was exploring ways of how to develop more homes in a way which did not risk the authority's finances. Discussions were also taking place with a company about system build housing opportunities.

A Member asked if the Council was prepared to review the Homebond Scheme, as after listening to complaints from constituents it appeared the scheme was no longer fit for purpose. Councillor Doe replied that he was not aware of such concerns. There was reluctance amongst some private landlords to let to tenants in receipt of housing benefit. He was willing to look at any suggestions how the scheme could be improved and asked if details could be sent to him of concerns raised with Members.

Referring to the unsuccessful bid to the Government for funding to combat homelessness, a Member asked if the Council was prepared to think about collaborating with other councils in future when making a bid. Councillor Doe did not consider that the bid failed due to a lack of cross border working although there had not yet been any formal feedback on the bid. He was happy to consider collaboration if that would improve the chances of a bid being successful.

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A Member noted the increasing likelihood of homelessness due to Universal Credit with some private landlords viewing tenants in receipt of Universal Credit as a risk. Councillor Doe agreed that Universal Credit was likely to lead to a significant increase in housing debt.

A Member asked whether the Council would be reviewing its approach to public consultation before the review of the Homelessness Strategy. Councillor Doe responded that he wanted the consultation to be as wide as possible and it was far better to have preventable measures in place to avoid homelessness.

A Member felt that there was more scope for joint working with partners to prevent homelessness and hoped the street triage service funded by KMPT would help. Councillor Doe commented that the Council already worked with partners and the voluntary sector on homelessness but was prepared to look at whether more could be done.

Referring to the ten year wait for council housing, a Member questioned how the Housing Strategy could be seen as fit for purpose and called for a step change and increase in resources to tackle the very real housing issues facing Medway. Councillor Doe commented that the country was not investing enough in housing. If housing was to be given a greater priority then other services would need to be reduced or stopped. Rents were too high and more houses were needed. Agreeing with this analysis, a Member highlighted spending across the council totalling £0.25m from the Public Health budget on issues which he considered were much less important than housing. Councillor Doe replied that this was outside his Portfolio and the expenditure needed to make a difference was on a much greater scale than £0.25m.

A Member asked why the Council was reluctant to introduce a private landlord licensing system as this would send a strong message and also be a source of income. Councillor Doe commented that he did not think such a scheme would be self funding. The service had efficiently dealt with 1,000 complaints in the last year and setting up a landlord registration system could be expensive while producing little in the way of results.

A Member referred to the importance of extra care and life time housing. Councillor Doe felt that extra care had been reasonably successful but not enough was being built due to the cost. Every opportunity should be taken to by the Council to secure more extra care housing.

A Member referred to a scheme developed by Southampton City Council whereby pension funds were used to deliver new housing and asked if the Council would consider a similar scheme. Councillor Doe responded that the Council was looking at what many other authorities were doing. The key issue was achieving a rate of return sufficient to make such a scheme self financing and this was difficult to achieve with affordable housing. Sustainability was important as it would not be prudent to build in more instability to the Council's finances.

Adult Education

Recognising the improvements in the service in recent years, a Member asked what the Deputy Leader's vision was for adult education for the next 3-5 years. Councillor Doe remarked on the importance of adult education in helping to combat social isolation. There was a need to work with partners to build the business and ensure that the service also contributed to the wider employment agenda in the area.

Libraries and Community Hubs

Noting the tendency for libraries across the country to be closed, a Member referred to the possibility of the post office being located in Luton Library and asked if there were plans for similar opportunities in other libraries. Councillor Doe regretted the trend for libraries to be closed elsewhere, which was often seen as an easy option. He emphasised the importance of libraries being buildings which were relevant to their communities and which offered a comprehensive service. Discussions were ongoing with the post office and he undertook to provide Members with an update.

A Member asked if there were any plans for a Community Hub south of the A2. Councillor Doe replied that Wigmore library was a possibility but Rainham less so unless it was redeveloped.

A Member recognised Councillor Doe's personal commitment to the library service and felt the service was good although there was still room for improvement. Due to new housing in Rochester more people were likely to use the library and it merited redevelopment. Councillor Doe replied that realistically resources were not available to open new libraries but he was prepared to look at ways of reaching more people.

Decision:

The Committee thanked the Deputy Leader and Portfolio Holder for Housing and Community Services for his attendance and noted that a briefing note on the possibility of the post office co-locating in Luton Library would be provided.

682 Attendance of the Portfolio Holder for Business Management

Discussion:

Members received an overview of progress on the area within the terms of reference of this Committee covered by Councillor Rupert Turpin, Portfolio Holder for Business Management, i.e.

- Customer Contact
- Democracy and Governance
- Income generation
- Internal Audit

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- Revenue & Benefits
- Risk Management
- Business Management
- Commissioning

Councillor Turpin responded to Members' questions as follows:

Customer Contact

In response to a question about ways to improve the interpreting and translation service to compete with the private sector, Councillor Turpin felt that the service provided by the Council was reliable and professional and competition with the private sector should not be allowed to jeopardise that. The possibility of the service being delivered in an alternative way (such as via Medway Commercial Group) was being looked at.

Democracy and Governance

A Member referred to the recent report from the Independent Remuneration Panel (IRP) on Members' Allowances which was considered by the Council after good work from the IRP and officers. As none of the recommendations had been agreed it was argued this had resulted in wasted time and effort and Councillor Turpin was asked if lessons had been learned. Councillor Turpin agreed that the process following the completion of the Members' Allowances review had not gone well, largely due to difficulties in securing political agreement to the recommendations which involved some Special Responsibility Allowances increasing and some reducing. He had no plans to revisit this in the near future.

Revenues and Benefits

A Member asked how well the council tax discretionary relief fund was advertised given the low number of people applying for and receiving relief from the fund. Councillor Turpin acknowledged the low uptake and undertook to check whether people who received a summons for council tax debt were also advised of the existence of the relief fund and, in addition, whether the customer contact team had information about the fund in order to advise members of the public accordingly.

Decision:

The Committee thanked the Portfolio Holder for Business Management for his attendance.

683 Call-In: Business Rate Relief

Discussion:

Members considered a report regarding a call-in received from six Members of the Council of Cabinet's decisions 163/2017 and 164/2017 in relation to Business Rate Relief. The Committee was requested to consider the Cabinet decisions and decide either to take no further action, refer the decisions back to Cabinet or to refer the decisions to Council for reconsideration.

Councillor Maple, the Lead Member for the call-in, explained the reasons for the call-in as outlined in paragraph 2.2 of the report. Councillor Maple referred to the special meeting of the Committee on 5 January were Members had heard from a selected group of organisations with an interest in the proposed changes. As the Federation of Small Business had not submitted evidence, there were no grounds to think that small businesses wished to see charities removed from the high street. Councillor Maple stated that, from the evidence received, 70% of organisations who had responded to the consultation had favoured Option 1.

He continued that the impacts of the Cabinet's decision to approve Option 2 would be significant. Many affected organisations recognised the Council's financial difficulties although he was concerned that some had asked to remain anonymous when speaking to him due to concerns about the Council's reaction.

Councillor Maple read out a response from RSPCA Medway West who felt the loss of 20% relief would be devastating. This shop funded the veterinary clinic which provided a service to people on low incomes and removed stray cats and dogs, which benefited the Council. Many charities and voluntary sector groups affected by Cabinet's decision provided services which would be at risk of being reduced or removed as a result of the decision with consequential negative impacts on the Council. It was also argued that the cost of achieving the £200,000 saving would be greater than the saving itself.

Councillor Maple noted that it was an option for the Committee to refer the matter to full Council and it seemed appropriate to do so given the next meeting was the budget Council meeting. Another Member supported this commenting that as Cabinet's decision related to the 2017/18 budget. Cabinet had relied on an incomplete draft budget to make its decision and the details of the 2017/18 budget had not been made available so it was therefore difficult to judge the appropriateness of the decision. The Chief Legal Officer advised that the next meeting being the budget meeting was not sufficient grounds for referring the matter to Council. In order to refer the matter to Council the Committee would have to agree that Cabinet's decisions were contrary to the policy framework or budget. The Chief Finance Officer advised that the decision was a matter for Cabinet and its impact on next year's budget would be reflected in the proposals submitted to Council. A Member queried whether it would be possible at the Budget Council meeting to change Cabinet's decision by amending the draft budget. The Chief Legal Officer advised that the £200,000

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saving resulting from Cabinet's decision would be reflected in the draft budget, but it would not be possible to reverse Cabinet's decision. He added that as advice had been given that Cabinet's decision was not outside the policy framework or budget then Members should come to a view on that point.

A Member referred to the references in the Council Plan to working in partnership to deliver services that matter most to the community and noted the role affected organisations such as Nucleus Arts and Fort Amherst made to the culture, tourism and regeneration strategies referred to in the Plan. Also in the Plan was a commitment to improve support for vulnerable adults by working with partners and communities. Age UK had said that every pound they lost as a result of losing business rates relief would impact on services. In conclusion it was therefore argued that the decision was not in accordance with the Council Plan.

The Chairman called upon the Portfolio Holder for Business Management to speak. A vote was requested on this in the light of a recent decision not to agree to a request from the Leader of the Labour Group to address Cabinet meetings. Following a vote it was agreed that the Portfolio Holder should address the meeting.

Councillor Turpin, the Portfolio Holder for Business Management, commented that the grounds for a review would be on either hardship or incorrect categorisation. Option 2 was a lower risk to the Council financially. Councillor Turpin felt Age UK's statement that loss of relief would be a tipping point was out of proportion and it was important charity shops were run as efficiently as possible, such as ensuring gift aid was claimed. High street shops paid five times more in business rates than charity shops. Some organisations had quoted a loss in rate relief that was twice the actual amount they would lose.

A Member commented that the appeals process had not yet been agreed and asked if Age UK would qualify on hardship grounds. Councillor Turpin replied that if there was an appeal on hardship grounds then the way in which a business was run would be looked at and not claiming gift aid would be an issue.

In response to a question about the review process, the Chief Finance Officer advised that enforcement would be halted until the review process had finished.

Another Member argued that, based on officer advice, it was clear Cabinet had made a decision within their remit. The Council was also facing significant financial difficulties and had responsibilities for vulnerable people. The decision was therefore valid.

A Member then moved that the decision be referred to Council. In accordance with Rule 12.6 of the Council Rules, the following Members requested that their votes in favour of the motion be recorded in the minutes:

Councillors Griffiths, Maple and Murray.

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In accordance with Rule 12.6 of the Council Rules, the following Members requested that their votes against the motion be recorded in the minutes:

Councillors Mrs Chambers and Mrs Iles.

On being put to the vote, the motion was lost.

It was then moved that the decisions be referred to Cabinet for reconsideration.

On being put to the vote, the motion was lost.

It was then moved that no further action be taken.

On being put to the vote, the motion was agreed.

Decision:

The Committee agreed that no further action be taken in respect of Cabinet decisions 163 and 164/2017.

684 Call-In: Traded Services - Category Management and Staffing Agency

Discussion:

Members considered a report regarding a call-in received from six Members of the Council of Cabinet's decisions 176-179/2017 in relation to the creation of traded services for the delivery of category management services and also a staffing agency. The Committee was requested to consider the Cabinet decisions and decide either to take no further action, refer the decisions back to Cabinet or to refer the decisions to Council for reconsideration.

Councillor Maple, the Lead Member for the call-ins, explained the reasons for the call-ins as outlined in paragraph 2.2 of the report. The decisions had been called in out of concerns about the practicalities rather than an objection in principle to delivering services through an alternative service delivery model. He suggested that the decisions would have benefited from pre-decision scrutiny, which had not been possible due to timing issues. Regarding the category management decisions he questioned whether the proposals would generate the revenues projected due to doubts about whether there was sufficient business in the market. He asked whether the staff who would be transferred in both services would be part of the Local Government Pension Scheme and also where they would be physically based.

The Chief Legal Officer replied that the category management proposals had been tested for two years on a shadow basis. Time had been taken to develop the proposals and a modest assessment had been made of the initial market share. Whilst the procurement market was shrinking he felt there was still a reasonably sized market in the south east. In the short term the staff would be based in Gun Wharf but at some point alternative premises would be looked at.

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The Chief People Officer added that Medway Commercial Group was a scheduled body in relation to the Local Government Pension Scheme (LGPS) so staff transferred over would be able to retain membership. New staff employed by MCG and agency staff would not be able to opt into the LGPS.

In terms of the relationship between MCG and the Council, it was queried how the Council would deal with MCG performance issues. The Chief Legal Officer advised that the Council was the only shareholder of MCG. Responsibility would still rest with the Council and MCG would be held to account for service delivery based on the contract.

In terms of the staffing agency he asked for clarification on the following points:

- What would be the practical arrangements when the Council engaged staff supplied by the staffing agency in terms of the Council being both client and employer?
- What would the ratios be in respect of the Council's charge for agency staff?
- Would the fostering service be part of the staffing agency?
- Would there be any areas where the staffing agency would not accept work (i.e. an organisation with whom the Council was in dispute)?
- How could overview and scrutiny engage and have an influence on draft budget decisions in a timely manner?

The Chief People Officer advised that the MCG model meant there would be the freedom to pay a higher overall salary and lower pension contributions but the overall package would be comparable to the total spend for permanent staff. The current rates paid to agency staff would not be reduced and there would be a significant reduction in the charge the Council paid for agency staff.

Foster carers were not council employees and not part of the arrangements. In terms of areas where the staffing agency would not accept work, there were measures in place to deal with this difficult issue and more detail could be provided. The Council would be able to insist on a better service and have a tighter control on quality than at present.

A Member queried whether the business case for the staffing agency acknowledged that it was a crowded market and there was a need to attract quality staff. The Chief People Officer acknowledged it was a competitive market. At present temporary staff were not offered training opportunities but this would be possible in the new arrangements. The Council would not have to pay the current 20% agency fee.

A Member asked whether MCG directors would decide on how to divide any surpluses and what responsibilities individual directors would have in the event of substantial losses. The Chief Legal Officer replied that the Council would decide on surpluses. There were personal responsibilities involved for directors but the Council would probably grant indemnities.

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In order to discuss the detail of the business plan contained in a confidential appendix to the report it was agreed that the press and public be excluded from the meeting during consideration of the exempt material contained within appendices B and D to agenda item 8 (Category Management Traded Services and Staffing Traded Services).

Referring to the category management income projections, a Member expressed concern at the feasibility of the projected doubling of income in three years which suggested a 50% increase in external business. This appeared to be a very risky approach.

A Member also commented that there could well be very significant risks not accounted for in the business plan around how pensions liabilities were accounted for and it would be prudent to seek advice from the external auditor on that point. The issue was that each year an evaluation would be needed and if there was a deficit in the valuations of pensions then the ongoing deficits would sit with MCG and this could have a devastating effect on the business. The Chief Finance Officer advised that the LGPS liabilities remained with the Council and a written agreement from Kent pensions to that effect had been received. Legal advice given at the meeting confirmed that there was no pensions deficit in MCG's accounts as at day one of the company as the historic pensions liabilities and any deficit was not transferred to the company. If the existing pensions deficit increased then the risks would ultimately sit with the Council upon MCG exiting the scheme. A Member responded that the key concern was about how the external auditor expected MCG to account for any pensions liabilities in their accounts and not the views of Kent pensions.

The Chief Finance Officer commented that increasing the staffing in category management would allow the multipliers necessary to generate the projected external income. The Chief Legal Officer added that market testing showed that it would be possible to operate competitively in the market and retain reasonable margins. The service had a good relationship with SMEs and would be able to take advantage of those opportunities. He considered the income projection figures were achievable.

A Member then moved that the decisions be referred back to Cabinet for reconsideration at their 7 February meeting taking into account urgent advice from the external auditor on the LGPS implications, risks and liabilities of transferring staff to MCG from the Council. Upon being put to the vote this was not carried.

It was then moved that no further action be taken in respect of the Cabinet's decisions and officers be asked to seek clarification from external audit on the LGPS implications for MCG when staff were transferred from the Council. This was carried.

Decision:

The Committee agreed that no further action be taken in respect of the Cabinet's decisions and requested that officers be asked to seek clarification

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from external audit on the LGPS implications for MCG when staff were transferred from the Council.

685 Housing Revenue Account - Capital and Revenue Budgets 2017/18

Discussion:

Members considered a report regarding the Housing Revenue Account (HRA) capital and revenue budgets for 2017/18 which also provided details of proposed rent and service charge levels for 2017/18 and the latest revised forecasts of the HRA Business Plan.

Members' attention was drawn to the reference in the Diversity Impact Assessment (DIA) to a review of the charge levied for a licence to allow residents to cross HRA land to park in their front garden. As this review was not now being taken forward, the reference to this in the DIA which would be submitted to Cabinet would be removed.

A Member commented that service standards had noticeably improved in recent years and capital works were also better managed. He queried why there was a difference in garage rents for council tenants as opposed to other residents and suggested that if there were empty garages then the council should look to maximise rental income and not differentiate between council tenants and non tenants.

Some Members welcomed that Government's re-think of the "pay to stay" policy and criticised the Government's decision to impose a 1% reduction in weekly rents from 2016/17 and the next three years.

A Member queried the statement in the HRA Business Plan which suggested there had been no increase in bad debt due to the roll out of Universal Credit. Officers clarified that the previous year's figure had been £105,000 so the current assumption of £75,000 represented a reduction. Officer undertook to clarify the wording in the Business Plan in relation to bad debt provision.

Decision:

The Committee agreed to:

- a) recommend to the Cabinet:
 - i) a proposed rent decrease of 1% for the housing stock as set out in Appendix A to the report (based upon 52 collection weeks);
 - ii) a rent increase of 5% for garages;
 - iii) that the current policy of charging higher rent where a tenant has a taxable income per annum of £60,000 be retained and no change to the threshold;

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- iv) that the service charges and increases as set out in Appendix B of the report for 2017/18 be approved;
 - v) that the revenue budget for the HRA Service for 2017/18 as per Appendix C to the report be approved;
 - vi) that the future provision for the repayment debt be based on annuity based payment as opposed to minimum revenue payment of 2% on the HRA opening outstanding debt;
 - vii) to use remaining allowable balance of 1-4-1 capital receipts (for the capital receipts received during 2017/18 from RTB sales) to be used to fund towards the 2017/18 HRA planned capital programme, and;
 - viii) that members approve the revised 30 year HRA Business Plan model as attached at appendix E.
- b) note that officers will explore whether equalising garage rents for council tenants and non-council tenants would lead to an increase in income;
 - c) note that officers will clarify the wording in the HRA business plan about bad debt assumptions due to the roll out of Universal Credit.

686 Housing (Demand, Supply and Affordability) Task Group - Progress Report

Discussion:

Members considered a report and action plan setting out progress against the recommendations from the Housing (Demand, Supply and Affordability) Task Group which had been approved by the Cabinet in May 2016.

A discussion took place on the following recommendations:

In order to free up much needed social housing, Cabinet is asked to review, in relation to its housing stock, the incentives that are available to residents aimed at encouraging them to move into more suitable forms of affordable housing.

In response to a question about location, Officers commented that location and the right size accommodation were key issues for people to make this scheme work. The Council did have reciprocal arrangements with other authorities but this tended to be used in cases such as domestic violence.

Cabinet is asked to review the scope to extend the use of home bonds to help tenants find alternative accommodation and work with the private rented sector to encourage landlords to let properties to residents in housing need and to those in receipt of Housing Benefit.

A Member asked whether there was a private tenants' forum and, if not,

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whether one could be set up. Officers advised that client feedback was sought but there was not a formal structure for liaising with tenants. This was something which could be looked at.

Subject to this being financially viable, Cabinet is asked to consider the potential of options to generate extra finance, for example prudentially borrowing and use the funds to build and operate housing across all tenures either by working in partnership with a local housing provider or by alternative means.

The Committee was advised that a number of housing model options were currently being considered. Given what was considered to be a severe housing crisis, a Member urged that action be taken now with regard to this key recommendation as opposed to discussions and explorations. Officers advised that proposals were being developed and members would be informed of the details relatively shortly.

Cabinet is asked to ensure that there are appropriate resources in place to ensure that tenants in the private rented sector have sufficient protection with regard to minimum standards of accommodation, repair and good management.

A Member asked if the team had sufficient capacity to deal with issues such as private tenants' fears of revenge evictions should complaints be made. Officers replied that making sure tenants were aware of their rights could be a challenge. The tenant accreditation scheme had been successful and the team would look at how to make sure tenants received information. In response a Member suggested the Council look at bite size learning as an effective and cost effective way to get the message across.

Decision:

The Committee agreed to note the progress made against the Task Group recommendations.

687 Medway Commercial Group Limited - First Year Quarter 2 Report

Discussion:

Members considered a report which outlined Medway Commercial Group (MCG) Limited's achievements and performance up to the second quarter in its first year of trading, and its plans for future growth and development.

In response to a question about targets, the Committee was advised that MCG was on target to achieve its agreed accumulated savings for the next two financial years (£254,000 in Year 2 and £406,000 in Year 3).

Noting that Norse at a national level also carried out some MCG functions, a Member asked how any conflicts of interest were being safeguarded against.

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The Committee were advised that there were some services MCG could provide more efficiently than Norse and vice-versa.

A Member asked about the extent to which MCG companies would trade and whether this would be limited to Kent. MCG's CEO replied that this depended on the business and the market. There were no geographical restrictions for the delivery of tele care or CCTV.

In response to whether there were any plans for MCG to set up a joint venture with another Council, Members were advised that positive discussions had taken place with Norse at a national level.

In response to a question about subsidiary bodies and procurement, MCG's CEO replied that there were two subsidiaries which would bid for contracts – a Teckal company to which the Council could award contracts and a non-Teckal company, which could trade with the private sector. The Chief Finance Officer added that there would then be a number of subsidiary companies to which delivery of the contracts would be sub-contracted. A Member queried why the Cabinet report which set out details of the governance arrangements did not refer to this detail and emphasised the need for the governance arrangements to be clear. The Chief Legal Officer advised that specialist advice on the governance arrangements was being sought and would be shared with Members when possible.

Decision:

The Committee agreed to note the achievements and performance of Medway Commercial Group Limited (MCG) for the second quarter of 2016, as detailed in the report

688 Procurement Strategy

Discussion:

Members considered a report regarding the progress made against the procurement strategy 2013-16 and an update on the progress made against the Council's new procurement strategy 2016-21.

In response to a question, Members were advised that a limit on the use of purchasing cards had not yet been set.

A Member queried what support the current procurement team would provide to the Council following their transfer to MCG. The Chief Legal Officer advised that the support would be essentially as it was now, including support to the Procurement Board.

Decision:

Members noted the progress made against the previous Procurement Strategy 2013-16 and the progress against the new strategy 2016-21.

689 Draft Capital and Revenue Budget 2017/18 (Report back from other Overview and Scrutiny Committees)

Discussion:

Members considered a report which set out the comments of all Overview and Scrutiny Committees on the provisional draft budget for 2017/18 proposed by Cabinet on 22 November 2016.

Decision:

The Committee agreed to forward the comments from individual Overview and Scrutiny committees, as set out in Section 3 of the report, to Cabinet on 7 February 2017, highlighting in particular the concerns of the Regeneration, Culture and Environment O&S Committee that the information provided on the draft budget contained insufficient information to enable the Committee to undertake a robust review of the capital and revenue budgets.

690 Draft Capital and Revenue Budget 2017/18

Discussion:

Members considered a report on progress towards setting the Council's draft capital and revenue budgets for 2017/18. In accordance with the Constitution, Cabinet was required to develop 'initial budget proposals' approximately three months before finalising the budget and setting council tax levels at the end of February 2017.

The draft budget was based on the principles contained in the Medium Term Financial Plan (MTFP) 2016/2020 approved by Cabinet in September and reflected the latest formula grant assumptions.

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 2017/18 and beyond, and;
- b) note 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.

691 Council Plan Refresh 2017/18

Discussion:

Members considered a report which summarised proposed changes to the Council Plan 2016/21 which included:

- 1 new programme
- 6 additional new council plan measures of success (from 38 in 2016/17 to 44 in 2017/18)
- 3 deferred council plan measures
- 7 changes to targets

Members discussed the following:

NI156 (Number of households living in temporary accommodation – a Member expressed concern that there were not any supplementary indicators supporting this target given that there were a number of factors involved in this issue.

NI154 (net additional homes provided) – a Member referred to the target of 1,000 dwellings per year and noted that this was considerably below the Local Plan Target and did not reflect the current backlog of 5-6,000 units. He commented that a much higher figure was needed which would make a difference and prevent homelessness issues. The Assistant Director – Transformation replied that the 1,000 figure related to the last objective needs assessment carried out in 2014. Further work had been undertaken following latest National Planning Guidance but that had not yet been formally adopted. This would be confirmed through the adoption of the Local Plan.

Decision:

The Committee agreed to:

- a) note the proposed changes to programmes, key measures of success and targets as summarised in Appendix A to ensure the delivery of the Plan remains focused, informative and relevant, and;
- b) ask that Cabinet consider the comments in relation to sub indicators and revising upwards the target for the number of net additional homes provided.

692 Work programme

Discussion:

Members considered a report regarding the Committee's current work programme.

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Referring to the earlier discussion about the transfer of staff to MCG (see minute no 684), a Member referred, in connection with the possible need for the issue to be added to the work programme, to a statement in the report to Cabinet which said pension liabilities would transfer to MCG with a beneficial impact for the Council. Advice given earlier had been that liabilities would not transfer and it therefore appeared that contradictory advice had been given and there had been little clarity on this important issue when Cabinet had taken the decision. The Chief Finance Officer acknowledged the ambiguity in the advice referred to in the Cabinet report but confirmed that pensions liabilities would not transfer to MCG and confirmation of that had been received when MCG had been established.

Following advice that the call in had already been dealt with and could not be re-visited, Members agreed to ask for a briefing note on the position regarding pensions liabilities.

Decision:

The Committee:

- a) noted the current work programme (Appendix 1 to the report);
- b) agreed the changes to the current work programme, as set out in paragraph 3 of the report;
- c) noted the work programmes of all overview and scrutiny committees (Appendix 2 to the report).
- d) asked for a briefing note to clarify the situation in terms of where pension liabilities sat following the transfer of staff from the Council to MCG.

693 Exclusion of Press and Public

Decision:

The press and public were excluded from the meeting during consideration of the exempt material contained within appendices B and D to agenda item 8 (Category Management Traded Services and Staffing Traded Services) because consideration of these matters in public would disclose information falling within paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as specified in agenda item 17 (Exclusion of Press and Public) and, in all the circumstances of the case, the Committee considered that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

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Chairman

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