

## **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.

### **Lead officer contacts:**

Phil Watts, Chief Finance Officer  
Telephone: 01634 332220 Email: [phil.watts@medway.gov.uk](mailto:phil.watts@medway.gov.uk)

Michael Turner, Democratic Services Officer  
Telephone: 01634 332817 Email: [michael.turner@medway.gov.uk](mailto:michael.turner@medway.gov.uk)

Katey Durkin, Head of Finance Strategy  
Telephone: 01634 332355 Email [katey.durkin@medway.gov.uk](mailto:katey.durkin@medway.gov.uk)

### **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 pre-dominantly 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.

**Lead officer contact**

Carrie McKenzie, Assistant Director - Transformation  
Telephone: 01634 332261

**Appendices:**

None

**Background papers:**

None