



## **Meeting of the Council**

**Monday, 13<sup>th</sup> October, 2014 at 6.00pm**

**in the Council Chamber at the Council House, Priory Road, Dudley**

You are hereby summoned to attend a meeting of the Dudley Metropolitan Borough Council for the purpose of transacting the business set out in the numbered agenda items listed below.

### **Agenda - Public Session (Meeting open to the public and press)**

#### Prayers

1. Apologies for absence.
2. To receive any declarations of interest under the Members' Code of Conduct.
3. To confirm and sign the minutes of the meeting of the Council held on 14<sup>th</sup> July, 2014 as a correct record (Pages CL/17 – CL/24).
4. Mayor's Announcements.
5. To receive reports from meetings as follows:

Meetings of the Cabinet held on 17<sup>th</sup> September and 1<sup>st</sup> October, 2014:

Councillor D Sparks to move:

- (a) Capital Programme Monitoring (Pages 1 to 7)
- (b) Review of Senior Management and Organisational Structure (Pages 8 to 50)

Councillor G Partridge to move:

- (c) Tenant Involvement Arrangements (Pages 51 to 59)

Meeting of the Audit and Standards Committee dated 18<sup>th</sup> September, 2014:

Councillor J Cowell to move:

(d) Treasury Management (Pages 60 – 71)

6. Notice of Motion

To consider the following notice of motion received from Councillor Brothwood on 30<sup>th</sup> September, 2014:

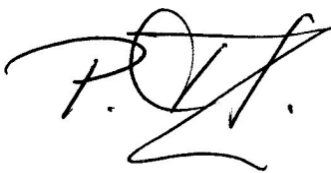
“We move to request that Dudley Council consider holding a Borough Lottery. Proceeds after prizes and administration fees will be given to Charities within the Borough. The Charities and winners will be named online on the Dudley MBC website. We trust our colleagues within the Chamber will agree to this proposal and will assist us with setting up this venture.

Accordingly, this Council resolves to request the Director of Corporate Resources to investigate the feasibility and submit a report to the Cabinet or appropriate Committee at the earliest opportunity.”

7. To answer questions under Council Procedure Rule 11.

*Questions on the Minutes of the Cabinet and Committees, Community Forums and the Delegated Decision Summaries – these are contained in the separate book circulated to Members of the Council.*

8. To consider any business not on the agenda which by reason of special circumstances the Mayor is of the opinion should be considered at the meeting as a matter of urgency under the provisions of the Local Government Act 1972.



**Director of Corporate Resources**

**Dated: 3<sup>rd</sup> October, 2014**

Distribution: All Members of the Council

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**Dudley Metropolitan Borough**

**Minutes of the proceedings of the Council  
at the Meeting held on Monday, 14<sup>th</sup> July, 2014  
at 6.00 pm at the Council House, Dudley**

**Present:**

Councillor M Aston (Mayor)  
Councillors A Ahmed, K Ahmed, S Ali, A Aston, M Attwood, N Barlow, C Baugh, C Billingham, H Bills, D Blood, R Body, P Bradley, D Branwood, P Brothwood, K Casey, D Caunt, I Cooper, B Cotterill, J Cowell, T Crumpton, W Duckworth, C Elcock, B Etheridge, S Etheridge, M Evans, A Finch, K Finch, J Foster, A Goddard, C Hale, M Hanif, P Harley, R Harris, D Hemingsley, T Herbert, Z Islam, R James, L Jones, K Jordan, I Kettle, P Lowe, I Marrey, J Martin, P Martin, P Miller, M Mottram, N Neale, G Partridge, C Perks, D Perks, M Roberts, H Rogers, D Russell, R Scott-Dow, K Shakespeare, D Sparks, A Taylor, E Taylor, H Turner, K Turner, S Turner, D Tyler, D Vickers, M Wood, M Wilson and Q Zada together with the Chief Executive and other Officers.

**Prayers**

The Mayor's Chaplain led the Council in prayer.

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16     **Apologies for Absence**

Apologies for absence were received on behalf of the Deputy Mayor (Councillor S Waltho) and Councillors S Arshad, S Henley, N Gregory and G Simms.

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17     **Declarations of Interests**

Declarations of interests, in accordance with the Members' Code of Conduct, were made by the following Members:

Councillor P Harley – Minute No. 6 of the Children's Services Scrutiny Committee (Annual Scrutiny Programme 2014/15) – Non-pecuniary interest as a Governor at the Brier School.

Councillor D Tyler – Minute No. 7 of the Overview and Scrutiny Management Board (Annual Scrutiny Programme 2014/15) in relation to the proposed scrutiny of the work and priorities of the West Midlands Police and Crime Commissioner – Non-pecuniary interest as a Member of the West Midlands Police and Crime Panel.

Councillor M Roberts – Minute No. 82(iii) of the Development Control Committee – Plan No P13/1751 (Dudley College, The Broadway, Dudley) and Minute No. 82(iv) – Plan No P13/1758 – (Evolve, Dudley College, Tower Street, Dudley) – Non-pecuniary interest as a colleague of the speaker.

Councillor D Caunt – Minute No 82(ii) of the Development Control Committee – Plan No P11/0107 (Land at Lowndes Road/Bradley Road, Stourbridge) – Non-pecuniary interest as Chairman of Stourbridge Navigation Trust.

Councillor C Perks – Minute No. 90(i) of the Development Control Committee – Plan No P14/0270 (1 Whittington Road, Norton, Stourbridge) – Non-pecuniary interest as she knew the objector speaking on the application.

Councillor K Casey – Minute No. 4 of the Development Control Committee – Plan No P13/1264 (Oak Farm Quarry, Crooked House Lane, Himley) - Non-pecuniary interest as he worked for the Member of Parliament referred to in the report.

Councillor Q Zada – Minute No. 4 of the Development Control Committee – Plan No P14/0444 (24/28 Brick Kiln Street, Brierley Hill) – Pecuniary interest as he owned the property and the applicant was a family member.

Councillors J Cowell and M Hanif – Minutes of the Ernest Stevens Trusts Management Committee – Non-pecuniary interests as Trustees of the Mary Stevens Hospice.

Councillor T Crumpton - All matters affecting schools - Non-pecuniary interest as a relative worked as a supply teacher.

Councillor A Aston – All matters relating to West Midlands Ambulance Service (WMAS) – Pecuniary interest as an employee of WMAS.

Councillor S Turner – Any references to matters concerning Dudley College – Pecuniary interest in view of his employment as a Lecturer.

Councillor Q Zada – Issues relating to Children, Young People and Families – Non-pecuniary interest as an employee of Black Country Partnership NHS Trust.

Councillors M Evans, D Hemingsley, D Sparks and D Tyler – Agenda Item No. 5(a) (Capital Programme Monitoring) – reference to Castle Hill Development – Non-pecuniary interests as trustees of Dudley Zoo.

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18 **Minutes**

Resolved

That the minutes of the annual meeting of the Council held on 5<sup>th</sup> June, 2014, be approved as a correct record and signed.

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**Mayor's Announcements**(a) John Woodall, Doris Tromans and Bob Jones

The Mayor referred in sympathetic terms to the recent deaths of former Councillor John Woodall, the former Mayoress Doris Tromans and Bob Jones, West Midlands Police and Crime Commissioner. The Council observed a period of silence as a token of respect to their memory. Members of the Council then paid individual tributes.

(b) Councillor David Sparks - Chairman of the Local Government Association

The Mayor congratulated Councillor David Sparks following his formal election as the Chairman of the Local Government Association.

(c) Charity Cricket Match - 20<sup>th</sup> June, 2014

The Mayor expressed thanks to everyone involved in the Members versus Officers Charity Cricket match held on 20<sup>th</sup> June, 2014. The event had raised £1,000 for the Mayor's Charity Fund. The Mayor presented the winner's trophy to John Polychronakis and the runners-up trophy to Councillor M Hanif.

(d) Black Country Day – 14<sup>th</sup> July, 2014

The Mayor reported on 'Black Country Day' and expressed thanks for all the events that have been organised to celebrate the occasion.

(e) Armed Forces Day - 29<sup>th</sup> June, 2014

The Mayor expressed thanks to everyone involved in organising and supporting Armed Forces Day on 29<sup>th</sup> June, 2014.

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**Capital Programme Monitoring**

A report of the Cabinet was submitted.

It was moved by Councillor Sparks, seconded by Councillor Lowe and

Resolved

- (1) That the outturn position for 2013/14, as set out in paragraphs 3 and 4 and Appendix A to the report be noted.
- (2) That current progress with the 2014/15 Capital Programme, as set out in Appendix B to the report be noted, and that budgets be amended to reflect the reported variance.

- (3) That the Disabled Facilities Grant funding allocations be noted, and the associated expenditure included in the Capital Programme, as set out in paragraph 7 of the report.
  - (4) That a budget of £192,000 for the refurbishment of Holloway Hall Chambers to provide new Council homes be included in the Capital Programme as set out in paragraph 8 of the report.
  - (5) That the Community Capacity Grant allocation be noted and that the associated spend on relevant Adult Personal Social Services projects be included in the Capital Programme as set out in paragraph 9 of the report.
  - (6) That subject to the grant application being successful, the Castle Hill Development Extension project be approved and included in the Capital Programme, as set out in paragraph 10 of the report.
  - (7) That the project to extend Dudley Cemetery be approved and included in the Capital Programme, as set out in paragraph 11 of the report.
  - (8) That the funding allocation for the Cradley Forge Mushroom Green Embankment be noted, and the project included in the Capital Programme as set out in paragraph 12 of the report.
  - (9) That the capital expenditure of £100,000 funded by the pothole grant be included in the Capital Programme, as set out in paragraph 13 of the report.
  - (10) That the urgent amendment to the Capital Programme, as set out in paragraph 14 of the report, be noted.
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21 **Revenue Outturn 2013/14 and Medium Term Financial Strategy**

A report of the Cabinet was submitted.

It was moved by Councillor S Turner, seconded by Councillor Lowe and

Resolved

- (1) That an 'Expressions of Interest' process for voluntary redundancy be opened from July until early September 2014 with clear communication relating to priority being given to areas of savings and that the process will be for a register to be held for future consideration, including budget saving requirements and service restructures.
- (2) That Directors, through Human Resources, continue to offer the opportunity of volunteering for redundancy to any employee whose service is undergoing a restructure involving the saving of posts as some employees that did not express an interest through the corporate process might wish to consider this option if and when their service is reviewed.

- (3) That the delegation of approvals be continued, namely the delegation of voluntary redundancies to the Cabinet Member for Human Resources, Legal, Property and Health and the Director of Corporate Resources, and the delegation of compulsory redundancies to the Cabinet Member for Human Resources, Legal, Property and Health and the Assistant Director for Human Resources and Organisational Development.
- (4) That the 2014/15 General Fund revenue budget be amended to reflect the current year savings set out in paragraph 25 of the report.

Pursuant to Council Procedure Rule 16.4, at the demand of in excess of six members present at the meeting, the voting on the above resolution was recorded as follows:

For (38):

Councillors A Ahmed, K Ahmed, S Ali, A Aston, M Aston, C Baugh, H Bills, R Body, D Branwood, K Casey, I Cooper, B Cotterill, J Cowell, T Crumpton, A Finch, K Finch, J Foster, C Hale, M Hanif, R Harris, D Hemingsley, T Herbert, Z Islam, K Jordan, P Lowe, I Marrey, J Martin, M Mottram, G Partridge, C Perks, M Roberts, D Russell, D Sparks, E Taylor, S Turner, D Tyler, M Wilson and Q Zada.

Against (28):

Councillors M Attwood, N Barlow, C Billingham, D Blood, P Bradley, P Brothwood, D Caunt, C Elcock, B Etheridge, S Etheridge, M Evans, A Goddard, P Harley, R James, L Jones, I Kettle, P Martin, P Miller, N Neale, D Perks, H Rogers, R Scott-Dow, K Shakespeare, A Taylor, H Turner, K Turner, D Vickers and M Wood.

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22 **Consultation on the Community Infrastructure Levy (CIL) revised Draft Charging Schedule and recommendation to Council for subsequent submission**

A report of the Cabinet was submitted.

It was moved by Councillor J Foster, seconded by Councillor Lowe and

Resolved

- (1) That following public consultation, the Community Infrastructure Levy (CIL) Draft Charging Schedule be submitted to the Secretary of State for Independent Examination in accordance with Regulation 19 of the CIL Regulations 2010.



- (2) That authority be delegated to the Director of the Urban Environment, in consultation with the Leader of the Council and the Cabinet Member for Regeneration, to agree any minor changes to the document prior to submission to the Secretary of State.
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23 **Food Service Plan 2014/15**

A report of the Cabinet was submitted.

It was moved by Councillor R Harris, seconded by Councillor Lowe and

Resolved

That the Food Service Plan for 2014/15 be approved and adopted.

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24 **Membership of the Children's Services Scrutiny Committee**

A report of the Overview and Scrutiny Management Board was submitted.

It was moved by Councillor D Tyler, seconded by Councillor Lowe and

Resolved

That the amendments to the co-opted membership of the Children's Services Scrutiny Committee be approved, as outlined in the report, namely to retain the statutory co-opted members and that the Scrutiny Committee be requested to establish a pool of specialist/key contacts to be invited to advise the Committee, attend or give evidence at meetings, as appropriate, depending on the specific topics under discussion.

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25 **Notice of Motion**

Pursuant to Council Procedure Rule 12, Councillor K Turner had given notice of a motion on 28<sup>th</sup> May, 2014.

The following motion was moved by Councillor K Turner and seconded by Councillor S Etheridge.

"This Council agrees to a reduction in the numbers of elected representatives serving each and every ward, such numbers to be adjusted to two per ward.

It further requests that the Leader of this Council submits an application for such a review of the composition of the Council to the Local Government Boundary Commission at the earliest opportunity.

We all agree that our principal aims in accepting election is to serve our constituents and these actions will demonstrate our true commitment."

The following amendment was moved by Councillor M Wood and seconded by Councillor P Harley.

“That the motion be amended by the inclusion of the additional words shown below in bold italics:

This Council agrees to a reduction in the numbers of elected representatives serving each and every ward, such numbers to be adjusted to two per ward.

It further requests that the Leader of this Council submits an application for such a review of the composition of the Council to the Local Government Boundary Commission at the earliest opportunity. ***It instructs the Leader of the Council to launch a consultation on changing to whole-council elections and to present a resolution to the Council no later than the end of 2014 to hold whole-council elections in 2015 and every four years thereafter.***

***This Council does not believe that it would be appropriate for such changes to be accompanied by an increase in Members' Allowances.***

We all agree that our principal aims in accepting election is to serve our constituents and these actions will demonstrate our true commitment.”

Following a debate, the amendment was put to the vote and lost.

A closure motion was moved by Councillor D Caunt, duly seconded and

Resolved

That the question be now put.

Councillor K Turner decided not to exercise his right of reply to the debate pursuant to Council Procedure Rule 14.9.

The original motion was thereupon put to the vote and lost.

Pursuant to Council Procedure Rule 16.4, at the demand of in excess of six members present at the meeting, the voting on the original motion was recorded as follows:

For the Motion (28):

Councillors M Attwood, N Barlow, C Billingham, D Blood, P Bradley, P Brothwood, D Caunt, C Elcock, B Etheridge, S Etheridge, M Evans, A Goddard, P Harley, R James, L Jones, I Kettle, P Martin, P Miller, N Neale, D Perks, H Rogers, R Scott-Dow, K Shakespeare, A Taylor, H Turner, K Turner, D Vickers and M Wood.

Against the Motion (38):

Councillors A Ahmed, K Ahmed, S Ali, A Aston, M Aston, C Baugh, H Bills, R Body, D Branwood, K Casey, I Cooper, B Cotterill, J Cowell, T Crumpton, A Finch, K Finch, J Foster, C Hale, M Hanif, R Harris, D Hemingsley, T Herbert, Z Islam, K Jordan, P Lowe, I Marrey, J Martin, M Mottram, G Partridge, C Perks, M Roberts, D Russell, D Sparks, E Taylor, S Turner, D Tyler, M Wilson and Q Zada.

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26 QUESTIONS UNDER COUNCIL PROCEDURE RULE 11

During questions asked under Council Procedure Rule 11, there were no decisions that the Leader, Cabinet Members or Chairs agreed to have reconsidered.

The meeting ended at 9.00 p.m.

MAYOR

## Meeting of the Council – 13<sup>th</sup> October, 2014

### Report of the Cabinet

### Capital Programme Monitoring

#### Purpose of Report

1. To report progress with the implementation of the Capital Programme.
2. To propose amendments to the Capital Programme.

#### Background

3. The table below summarises the current 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Public Sector Housing	42,730	40,334	41,162
Other Adult, Community and Housing	6,379	4,184	550
Urban Environment	31,626	13,579	5,873
Children's Services	28,493	751	161
Corporate Resources	2,451	1,658	1,366
<b>Total spend</b>	<b>111,679</b>	<b>60,506</b>	<b>49,112</b>
Revenue	14,192	13,400	13,687
Major Repairs Reserve (Housing)	22,279	22,558	22,847
Capital receipts	18,540	13,662	9,507
Grants and contributions (inc. Lottery)	27,361	8,011	183
Capital Financing Requirement*	29,307	2,875	2,888
<b>Total funding</b>	<b>111,679</b>	<b>60,506</b>	<b>49,112</b>

\*This will be funded internally from the Council's cashflow resources as far as possible, rather than from external debt.

Note that the capital programme for future years is in particular subject to government grant allocations, some of which have not yet been announced.

4. In accordance with the requirements of the Council's Financial Regulations, details of progress with the 2014/15 Programme are given in Appendix A. It is proposed that the current position be noted, and that budgets be amended to reflect the reported variances. An update on progress with the Council's most significant capital schemes is shown in Appendix B.

## **Urban Environment**

### Clayton Park Outdoor Gym

5. The Capital Programme currently includes £39,000 for the construction of an Outdoor Gym in Clayton Park, Coseley from Public Health funding and available Section 106 receipts generated from within the Coseley ward. However, in order to build a facility comparable to those which have proven a success in other parks in the Borough an additional £17,000 is required. This can be met from savings elsewhere in the Programme and available revenue resources.

It is proposed that the increase in budget be approved and the Capital Programme amended accordingly.

### A459 Pedestrian Crossing Improvements

6. As part of the West Midlands Local Sustainable Transport Fund 'Smart Network Smarter Choices' project, the Council has been allocated £210,000 to improve existing pedestrian crossing facilities on the A459 corridor in the Sedgley area.

The facilities at the following locations will be upgraded to improve both pedestrian safety and reduce delays for vehicular traffic.

- High Street near Townsend Avenue
- High Street near Bull Ring
- Dudley Street near Bull Ring
- High Holborn at Tipton Street traffic signals
- Dudley Road near Arcal Street

It is proposed that the expenditure be approved and included in the Capital Programme.

## **Corporate Resources**

### Replacement of Franking machines.

7. The Curatorial Services team frank (process) outgoing mail for some 72 teams located throughout the borough. On average some 30,000 items of mail are franked each month. The two franking machines that are used have come to the end of their 5 year lease / hire contracts and new machines need to be procured. The decision as to whether to procure two new machines has been considered as part of the Corporate Post review and it has been determined that there is and will still be a need for two franking machines in the years to come. Quotes for replacements have been received and it is expected that the total cost will be no more than £30,000. This cost can be met from the Corporate Resources revenue budget.

It is proposed that the project is approved and included within the Capital Programme.

## **Urgent Amendment to the Capital Programme**

### Pothole Funding

8. The Council has been awarded a further £567,000 by the Department for Transport to be spent in 2014/15. It is planned to address 7,000 sq metres of potholes, patching and repair of highways defects via revenue expenditure of £367,000, and to undertake capital expenditure of £200,000 on the enhancement of 25 roads to stop the formation of potholes which will be added to the micro-asphalting programme. In order to implement the works prior to the onset of cold and damp weather, a decision (ref. DUE/36/2014) was made by the Leader of the Council in consultation with the Treasurer on 21<sup>st</sup> August 2014 that this capital expenditure be added to the Capital Programme.
9. The Cabinet, at its meeting held on 17<sup>th</sup> September, 2014, resolved to recommend the Council to approve the proposals set out below.

### Finance

10. This report is financial in nature and information about the individual proposals is contained within the body of the report.

### Law

11. The Council's budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

### Equality Impact

12. These proposals comply with the Council's policy on Equality and Diversity.
13. With regard to Children and Young People:
  - The Capital Programme for Children's Services will be spent wholly on improving services for children and young people. Other elements of the Capital Programme will also have a significant impact on this group.
  - Consultation is undertaken with children and young people, if appropriate, when developing individual capital projects within the Programme.
  - There has been no direct involvement of children and young people in developing the proposals in this report.

## **Recommendations**

14. The Council is recommended:

- That current progress with the 2014/15 Capital Programme, as set out in Appendix A, be noted and that budgets be amended to reflect the reported variances.
- That the increase in budget for the Clayton Park Outdoor Gym be approved and the Capital Programme amended accordingly, as set out in paragraph 5.
- That the expenditure on the A459 pedestrian crossing improvements be approved and included in the Capital Programme, as set out in paragraph 6.
- That the expenditure on the replacement of franking machines be approved and included in the Capital Programme, as set out in paragraph 7.
- That the urgent amendment to the Capital Programme, as set out in paragraph 8, be noted.



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**Leader of the Council**

## 2014/15 Capital Programme Progress to Date

<b>Service</b>	<b>Budget £'000</b>	<b>Spend to 31<sup>st</sup> July £'000</b>	<b>Forecast £'000</b>	<b>Variance £'000</b>	<b>Comments</b>
Public Sector Housing	42,730	10,601	42,730		
Other Adult, Community & Housing	6,379	2,064	6,379		
Urban Environment	31,626	3,692	31,444	-182	See note
Children's Services	28,493	2,422	28,493		
Corporate Resources	2,451	653	2,451		
<b>TOTAL</b>	<b>111,679</b>	<b>19,432</b>	<b>111,497</b>	<b>-182</b>	

**Note:**

- Cost reduction of £152,000 on Sedgley Hall Brook project following detailed analysis and scoping of the scheme (will reduce borrowing requirement);
- Saving of £13,000 on Redhouse Cone project as a result of electrical works costing less than originally estimated (funding to be returned to revenue);
- Lower than expected costs of £12,000 on Wollescote Park Pathways project (proposed to be used to fund extra costs of Clayton Park Outdoor Gym, as set out in paragraph 5 above);
- Minor savings of £5,000 on s106 funded Environmental Management projects.



## Progress with Major Capital Schemes

### Adult, Community and Housing

#### New Council Housing

The Council has been successful in securing match funding from the Homes and Communities Agency (HCA) from the Care and Specialised Support Housing Fund. Design work has commenced and a contract award made for the 14 two bedroom apartments for people with learning disabilities and who are on the autistic spectrum at the former depots at Norfolk Road, Wollaston and The Walk, Sedgley, and 3 two bedroom three person houses also at The Walk, procurement of a contractor is ongoing and tender evaluation is currently being undertaken.

Work is also continuing on feasibility studies for other potential new build housing and conversions of non-domestic properties across the borough and Pre-Application has commenced with the Local Planning Authority on a number of potential sites. Topographical and environmental habitat surveys and site investigations have been commissioned and a delivery plan is being developed. The bid submitted to the HCA for the conversion of Arcal Lodge in Sedgley into 14 units has been successful and design work is progressing.

Schemes are expected to be delivered within budget.

#### Dementia Gateways

Works are underway on the second dementia gateway at Brett Young in Halesowen with completion now anticipated for September 2014. Final costs are still to be established but schemes are expected to be delivered within budget.

### Urban Environment

#### Street Lighting

Street lighting improvement works are in progress and the Street Lighting Central Management System (CMS) is now fully commissioned and operational. 16,500 of the Council's 32,000 street lights can now be controlled via the CMS system remotely to help save energy; 10,500 of these can be dimmed. Spend is forecast to be within budget.

#### Better Bus Area

The proposals which involve the construction of a new signal controlled pedestrian crossing on the A4036 Pedmore Road, and the creation of additional road space and signal controls to facilitate bus priority measures at the junction of the Boulevard with Mill St, Brierley Hill were granted planning permission in March 2014. Main works commenced on site in July 2014 with substantial completion programmed for the end of October. Spend is forecast to be within budget.

#### Mary Stevens Park

Recruitment of 3 year Heritage Ranger post complete and new staff due to start in mid July, volunteering for project work is being established. The design team was recruited in June and detailed design work will start mid July with capital work due to start beginning of 2015. Spend is forecast to be within budget.

### Castle Hill

New Access Road: Phase 1a was completed during October 2012. Phase 1b (link road and roundabout) was completed April 2013.

Phase 2 onwards: This comprises the secondary route, recreational route, car parking and Visitor Hub. Planning permission was granted on 12<sup>th</sup> March 2013. The design team are currently working on detailed designs on a phased basis. Works commenced onsite for the initial phase of the secondary route on 23<sup>rd</sup> September 2013 and was completed February 2014. Works commenced on the lower level car parks on 4<sup>th</sup> December 2013, and completed March 2014. Works to upper level car park commenced April 2014, and was completed July 2014. Further phased works to commence October 2014, with final completion currently projected for April 2015.

### Castle Hill Additional Funding

BCLM Schools Reception Building. Planning application has now been submitted, works are anticipated to commence January 2015, with an anticipated completion of July 2015

Spend is forecast to be within budget.

### Dudley Marketplace and Town Centre

The first phase of the overall Dudley Market Place Public Realm scheme, which is Castle Street/New Street, is substantially complete and opened to full access on 10<sup>th</sup> August. There are some outstanding works in this location, seasonal tree planting being programmed for November and the construction work to the Earl of Dudley statue which has not yet been programmed in. The second phase has now started and the construction of the market stalls is well under way. Spend is forecast to be within budget.

## **Children's Services**

### DGfL3

Dudley Grid for Learning (DGfL) 3 includes a programme of ICT equipment upgrade and renewal across financial years 2013/14 & 2014/15. Consultation with schools to ascertain their priorities for the 'refresh' programme is complete. Refresh of ICT infrastructure and classroom equipment has now commenced phased roll out across the school estate. The programme and associated expenditure is therefore on schedule to bring improvement to schools ICT as planned.

## **Corporate Resources**

### Transforming our Workplace (ToW)

The project is now nearing completion. Work to offices at 3/5 St James's Road has now been completed and approximately 80% of the staff due to relocate there have done so. Alterations to offices at Mary Stevens Park Stourbridge have also been completed and the final group of Children's Services staff will have moved in by September. Various minor works to the Council House complex are in progress. The release of 12 surplus office sites has commenced with 6 office sites having now been sold. The overall programme of work is currently running to budget and is scheduled to complete in September 2014.

## **Meeting of the Council – 13<sup>th</sup> October, 2014**

### **Report of the Chief Executive**

#### **Review of Senior Management and Organisational Structure**

##### **Purpose of Report**

1. To consider the outcome of formal consultation on a proposed senior management and organisational restructure and to consider the recommendations of the Cabinet.

##### **Background**

2. At its meeting on 2<sup>nd</sup> July 2014 the Cabinet considered my report on the review of the senior management and organisational structure and resolved to endorse the proposed new structure for formal consultation. The proposed structure is set out in Appendix 1.
3. By way of summary this is the most radical restructuring proposal for the Council since its creation in 1974. It would mean that we continue to be fit for purpose for the formidable challenges that we face but it will require a reduction in our management capacity of 20% and it will create savings in management costs of around £1 million. The implementation of the proposed restructure would produce the leanest management structure of any Metropolitan District Council. It would place Dudley “ahead of the curve” but, to ensure that we remain fit for purpose and manage expectations, it will be necessary to define and invest in further transformation in order to realise the potential of key staff if we are to meet the rigorous challenges that lie ahead.
4. The formal consultation ran from 30<sup>th</sup> June to 8<sup>th</sup> September 2014 and included a series of individual meetings with all existing Directors and Assistant Directors, together with consultations with trade unions, the external auditor and NHS partners. A summary of the consultations with Directors and Assistant Directors is attached at Appendix 2. I also received a number of written representations from other employees and these will be taken into account during the next stage of formal consultation on the development of the fourth tier structure in each of the new directorates during December 2014 and January 2015.
5. I have also received a written submission from the Conservative Group which is attached at Appendix 3.

6. As Members will see from Appendix 2, the key issues arising from the formal consultation relate to the proposed salary bands for the 8 new Chief Officers posts and the portfolios for the 2 Chief Officer posts in the Resources and Transformation Directorate and I will deal with each of these issues in turn.

### Chief Officers Salary Bands

7. The advice received from West Midlands Employers was that, following a job evaluation, the salary band for the statutory Chief Officers (i.e. Adult Social Care, Children's Services, Public Health and Section 151 or Monitoring Officer) should be £95,000 - £99,000 with two incremental steps. The salary band for the other 4 Chief Officer posts (i.e. Corporate and Customer Services, Planning and Economic Development, Environmental Services and Housing) has been evaluated at £85,000 - £90,000 with two incremental steps. Both salary bands may need a market forces supplement and a proposed policy for this is discussed later in this report.
8. The representations received in relation to these salary bands are that there should be one band for all Chief Officers. Some consultees felt that this would treat each post equally and be less divisive. However, this would be inconsistent with the job evaluation which recognises the additional responsibilities for statutory officers.
9. It has also been argued that instead of a salary band, there should be a spot salary for Chief Officers. This would avoid an annual increase in salary through incremental progression. However it would remove some flexibility in setting a starting salary and increments may have to be subject to annual performance appraisal.
10. On balance I have concluded that there is more merit in having a basic spot salary for all of the Chief Officer posts and my recommendation is that this should be £89,000. However, there should be a supplement for the 4 statutory posts of up to £10,000 (to be agreed by the Appointments Committee) to reflect job size, budget and responsibilities. In each case a Chief Officer post would be subject to a market forces supplement where necessary.
11. Members are recommended to take a similar approach to the proposed salaries for the Strategic Directors. Following job evaluation the salary band for the Strategic Director for People is £122,500 - £130,000 and for the other two Strategic Directors it is £114,000 - £120,000. A spot salary for these posts could be £127,000 and £117,000 respectively but, again, subject to a market forces supplement where necessary.

### Chief Officers in the Resources and Transformation Directorate

12. The current proposal is that there should be a Chief Officer for Corporate and Customer Services and a Chief Officer for Finance and Legal Services. The need for a Corporate and Customer Services Division reflects the fact that there is a range of Corporate Services (including Benefits, Revenues, Dudley

Council Plus) which serve the public directly. On the other hand the Finance and Legal Services Division is largely internal and provides support services for the rest of the Council.

13. During the consultation it was suggested that under the proposed structure the Council would have to appoint either a Section 151 Officer or a Monitoring Officer as the Chief Officer for Finance and Legal Services and that whatever the outcome one of the statutory roles would have to be allocated to a fourth tier Head of Service post or, if appropriate, to the Strategic Director. An alternative structure was therefore put forward suggesting that the Chief Officer post should be for Legal and Property Services (including the Monitoring Officer) and Finance and Customer Services (including the Section 151 Officer). Whilst this has much to commend it, on balance I see greater merit in retaining from the original proposal a Chief Officer post that leads a coherent portfolio of customer and corporate service functions that can be improved and transformed for the benefit of service users and residents. This meets a key strategic priority for the Council. I do accept, however, that it is imperative to ensure that both of the statutory roles are placed at the right level within the new structure and this will be addressed when the new Strategic Director and Chief Officers have been appointed.

#### Market Forces Supplements – Policy and Procedure

14. A draft policy and procedure on market forces supplements is attached as Appendix 4. If approved, this will form part of the annual Pay Policy.

#### Appointments Committee

15. Dates have already been agreed for the Appointments Committee to interview internal candidates for the new Strategic Director and Chief Officer posts. It must be stressed, however, that the Appointments Committee reserves the right not to make an appointment in which case the post will be advertised in the usual way. The terms of reference of the Appointments Committee will need to be amended by the Council to include Chief Officer appointments.
16. The new Job Descriptions and Person Specifications for the new posts will be approved by the Appointments Committee.

#### Redundancies

17. In view of the fact that we are radically reducing the number of senior managers, there will be a number of voluntary and, possibly, compulsory redundancies. Five Officers have expressed an interest in voluntary redundancy. As is stated in paragraph 3.11 of the summary of consultations at Appendix 2, there may be a need to have some temporary capacity at a senior level to ensure that the transition from the current structure to the new structure is effectively undertaken in order to achieve a fit for purpose organisation committed to transformation. It may be necessary, therefore, to phase the departure of certain officers in order to achieve these overall objectives.

18. At present appeals against compulsory redundancy are delegated to the Director of Corporate Resources. This would not be appropriate for appeals by senior managers and I recommend that such appeals be delegated to the existing Appeals Committee.

#### Overview and Scrutiny Management Board

19. The proposed structure was considered by the Overview and Scrutiny Management Board on the 8<sup>th</sup> September 2014 and their comments are set out in Appendix 5.

#### Future Consultation

20. As was agreed by Cabinet in July, the next part of the process will be the detailed development of the 4<sup>th</sup> tier structure following the appointment of the Strategic Directors and Chief Officers. There will be another period of consultation on these proposals during December 2014 and January 2015 with a further report to Cabinet in February 2015.
21. The proposals in this report were considered by the Cabinet at its meeting on 1<sup>st</sup> October, 2014. The Cabinet resolved to recommend the Council to approve the recommendations below.

#### Finance

22. The proposed structure set out at Appendix 1 aims to realise ongoing savings in the region of £1 million. The exact level of savings will be subject to the level of any supplements (including any market forces supplements) that may be paid. It is also based on there being a fixed financial envelope for the fourth tier of the structure.
23. The precise impact on the Medium Term Financial Strategy will be calculated when the proposals (including any impact at Head of Service level) have been finalised. In calculating this impact, it will be necessary to adjust so as not to double count existing Directorate savings proposals at Assistant Director and/or Head of Service level and to account properly for the General Fund, Housing Revenue Account, Public Health budget and Dedicated Schools Grant.
24. Redundancy costs are dependent on the age and length of service of the individuals being made redundant and therefore cannot be precisely calculated at this stage. These are one-off costs that will be met, as with all redundancies, from provision within the Medium Term Financial Strategy.

## Law

25. Section 111 of the Local Government Act 1972 enables the Council to do anything that is calculated to facilitate or is conducive or incidental to the discharge of its various functions. The restructure and consequent appointments process for the posts will be undertaken in accordance with the Council's employment policies and legislative framework.
26. Pursuant to Section 1 of the Localism Act 2011 the Council has the general power of competence to do anything that individuals may do.

## Equality Impact

27. The Equality Impact Assessment which was attached to my July report is again attached at Appendix 6.

## Recommendations

28. The Council is recommended to:-
  1. Note the outcome of the formal consultations summarised in Appendix 2 and the comments of the Conservative Group and Overview and Scrutiny Management Board set out in Appendices 3 and 5.
  2. Approve the new senior management structure set out in Appendix 1.
  3. Approve the spot salaries for the new Strategic Director and Chief Officer posts as set out in paragraphs 10 and 11 of this report.
  4. Approve the policy and procedure for market forces supplements set out at Appendix 4.
  5. Amend the terms of reference of the Appointments Committee and the Appeals Committee as set out in paragraphs 15 and 18 of this report.
  6. Authorise the Chief Executive to apply the approved policy on voluntary redundancies in accordance with paragraph 17 of this report.
  7. Note the next phase of consultation on the 4<sup>th</sup> tier structure referred to in paragraph 20 of this report.

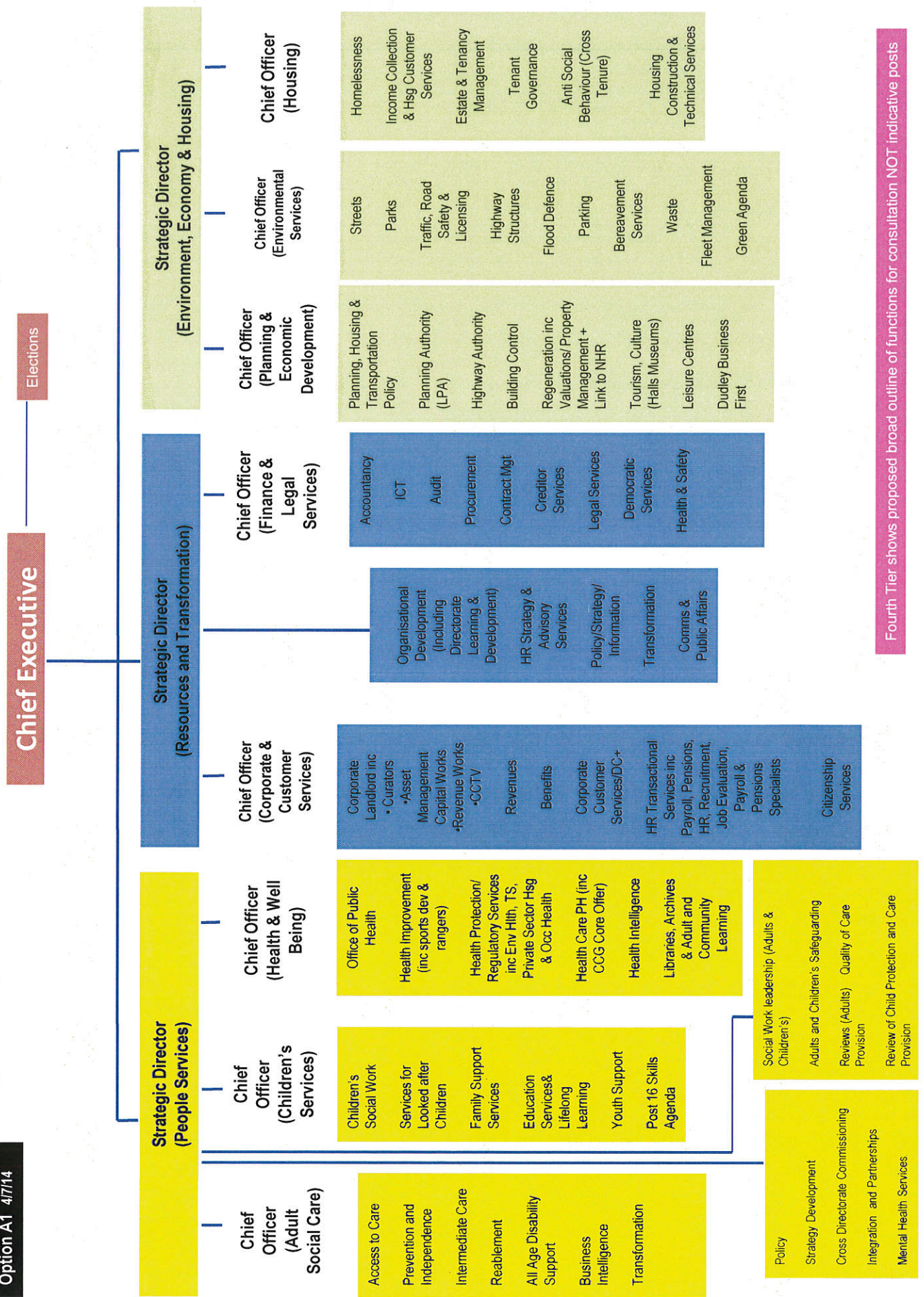
*John Polychronakis*

.....  
JOHN POLYCHRONAKIS  
CHIEF EXECUTIVE

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### **List of Background papers:**

None



Fourth Tier shows proposed broad outline of functions for consultation NOT indicative posts



**DUDLEY MBC**

**REVIEW OF SENIOR MANAGEMENT AND ORGANISATIONAL STRUCTURE**

**SUMMARY OF CONSULTATION RESPONSES: OFFICER CONSULTATION MEETINGS**

**1.0 BACKGROUND**

1.1 All existing second and third tier officers were offered individual consultation meetings with the Chief Executive and a representative of West Midlands Employers. Meetings were scheduled and all the eligible officers took the opportunity to participate in a meeting. Six officers also took up the offer of a second meeting to provide a further chance to express their views on the proposals. A number of officers also provided their views in writing to the Chief Executive as well as participating in the meetings. The views expressed in those meetings and through written submissions are summarised below.

1.2 A small number of fourth tier officers also submitted written comments on the overall structure following briefings at management group meetings. Trade Unions were also consulted and no indications have been received that they are unhappy with the proposals following clarification of how the selection pool arrangements would operate in the event of the Council deciding to proceed with the restructure of its senior management.

**2.0 RATIONALE BEHIND THE PROPOSALS**

2.1 The vast majority of consultees emphasised their support for the broad thrust of the proposals. They fully understood that the Council had to be pro active in taking steps that made it a fit for purpose organisation and achieve the significant savings levels required by the sharp reductions in revenue support funding from central government. A number of respondents saw the need to try and protect front line services through a rationalised senior management structure.

**3.0 PROPOSED ORGANISATIONAL STRUCTURE**

3.1 There was widespread support for the basis of the structure in terms of the three Directorate model with the focus on People, Place and Resources each being led by a Strategic Director (SD). A couple of respondents argued that the Resources and Transformation Directorate should be slimmer in terms of the functions it contains and emphasised its enabling nature with the need to maximise capacity and resources in the other two Directorates. A small number of respondents cautioned against the sheer size of the proposed People Services Directorate and the fact that it would receive about 70% of the Council's overall budget- it must not become a mini Council acting on its own.

3.2 Positive comments were received in respect of the proposal to have individual Chief Officers for Children's Services and Adults who would also act as the respective Statutory Officers in these areas. This was applauded as was the general scope of the People Services Directorate with the alignment of the Health and Well Being functions within this group of services. The placing of Education and Lifelong Learning functions within the Chief Officer (CO) block for Children was also welcomed and that they were correctly positioned as being under a Head of Service (HOS) rather

than attracting a separate CO for Education in the light of the now well established pattern of school and college autonomy. The Council still, however, has statutory roles in respect of education ( e.g. Special Educational Needs, School Place Planning and School Improvement) so senior officer leadership will still be required in this area.

3.3 The positioning of the statutory role of Director of Public Health (DPH) within the Health and Well Being Chief Officer was supported by consultees. Public Health England (PHE) and the Faculty of Public Health (FPH) who have a statutory role in the appointment of any DPH are also fully supportive of this positioning within the structure and the broadening of the DPH role across the Council in that it will help the Council meet its strategic ambitions around improving the health of local residents. The alignment of Environmental health and Trading Standards within HWB also attracted positive support.

3.4 There was good support in respect of the proposals around the Place (Environment, Economy and Housing) as a Directorate although there was some debate about a small number of individual functions and their optimum place in the structure- these are detailed below in para.3.12.

3.5 A number of consultees felt that the proposed structure was more supportive of partnership working locally, sub regionally and regionally with Strategic Directors and the Chief Executive having a strategic outward facing lead alongside political leadership.

3.6 The main area where various opposing views were expressed by consultees was in relation to the Resources and Transformation Directorate and the proposal to have just two Chief Officers with one of the two also taking on a key statutory role of either Section 151 Officer or Monitoring Officer (MO). Some respondents felt strongly that the two statutory roles should each merit individual CO posts. This view implies that the block of corporate customer and transactional services (such as HR payroll or Revenues and benefits) would be split up between the two CO posts instead of having a separate CO responsibility for Corporate and Customer Services as per the formal Cabinet proposal.

3.7 In essence the issue is that, given the need to look at just two CO posts in the Resources and Transformation Directorate whether more weight is given to Governance ( 151 officer and Monitoring Officer ) at the expense of a coherent responsibility under a CO for a range of key Customer and Corporate Services and where the post holder can drive forward a coherent programme of service transformation with potential major benefits for customers and significant savings in developing new processes and ways of serving customers and clients.

3.8 Informal consultation was also held with the Council's external auditor on the Governance issue and Grant Thornton referred to statutory guidance on the section 151 officer role and CIPFA guidance. The external auditor had no objections to the proposed structure as long as the Council met the statutory guidance requirements.

3.9 With regards to the Monitoring Officer position the external auditor expressed no concerns or firm views as to whether the role be located within a second, third or fourth tier post. There is no specific statutory guidance on the MO post. The intention would be that if the MO post holder is appointed at either the CO or HOS tier he/she would have access to all corporate management team papers alongside other statutory post holders and attend meetings where appropriate and relevant.

3.10 There was some comment about whether there is sufficient senior leadership around the HR/Organisational Development functions and whether this would be a challenge to either a Strategic Director with the wider brief for Resources and Transformation as well as to any Head of

Service appointment to lead HR within the next phase of the restructure. In the latter instance would locating the HR/OD lead at fourth tier be appropriate given the need to influence senior managers on developing the Council's workforce and to also lead key negotiations with trade unions on a host of employment matters.

3.11 Views were also expressed that there may need to be temporary capacity at a senior level to ensure that the transition from the current structure to the new structure is effectively undertaken and that new ways of working are developed that support the intention to create a fit for purpose organisation committed to transforming ways of working to the benefit of service users and residents of the Borough. This will include work on leadership cultures and behaviours that can deliver the Council's key priorities.

3.12 There were a number of alternative suggestions around individual service functions listed below but it was generally accepted that it would be best to look at these when the next phase of restructuring at 4<sup>th</sup> tier /Head of Service is developed and consulted upon. The following gives a flavour of the varied views received around the allocation of a number of service functions- the list is not exhaustive.

- Should Dudley Council Plus be located in the Place Directorate given the very high percentage of calls are in relation to functions within this Directorate?
- Should Leisure Centres be aligned into the Health and Well Being portfolio of functions given their key role in supporting physical activity and related health improvement?
- Should the procurement function be decentralised across the whole structure given substantial commissioning and procurement activity in key areas such as Adult Care?
- Should Licensing (other than taxi and private hire) be aligned with the Regulatory services within HWB and the taxi and private hire moved to within the Environment, Economy and Housing Directorate to preserve and develop further synergy through the one stop community based setting that has recently been established in the Borough?
- Should Corporate Landlord functions be separate from Property Management and Valuation in different Directorates as per the proposal or integrated within the Place Directorate? There were some mixed views on this issue. Should Health & Safety be aligned with the Corporate Landlord given that this is where a lot of its business is generated?
- Should all Housing and property related services be located under a single CO position given the political agenda around housing and its importance?
- Should Safeguarding as a potential single Head of Service function be firmly located within the CO (HWB) responsibility rather than being seen at present as a function reporting directly to the SD (People Services) where the post holder's role is outwardly facing and strategic?
- Should Library and Archive services be kept together with the Life Long (Adult) Learning function especially if a future option is to provide these services via a Trust? Are Library Services best aligned with Customer Services as libraries are often key contact points for customers of the Council?
- Should Bereavement Services be located alongside the Registrar's service within a Corporate and Customer Services function? Or alternatively should the function be combined with Citizenship services within the HWB part of People Services?
- Should HR/OD functions be split as proposed with transactional services aligned with corporate and customer service functions and the advisory and strategic HR functions reporting directly to the SD (Resources & Transformation)? Is there a case to keep all HR service functions as a coherent whole?

3.13 Some concerns were expressed about whether the next phase at 4<sup>th</sup> tier and below would contain sufficient capacity to release senior managers to act and work strategically and provide support to other officers with heavy responsibilities for the operational effectiveness of services. These concerns included a need to ensure greater empowerment, encouragement and space to innovate ensuring that the enabling service and infrastructure supports effective decision making. There was also a reference to whether succession planning would be more difficult with widening gaps between the management tiers (e.g. COs having strategic as well as operational responsibilities compared with current Assistant Directors).

3.14 Some comment was received about as to whether the political leadership and Cabinet member responsibilities would effectively align with the SD and CO responsibilities with duplication and overlap minimised. The alignment of the Scrutiny function was also raised and whether changes to Scrutiny would need to be made to take account of the new organisational structure. These issues will need to be considered by elected members when the eventual structure is finalised and appointments made to posts.

#### **4.0 PROPOSED JOB DESCRIPTIONS AND PERSON SPECIFICATIONS**

4.1 The job descriptions and person specifications were largely regarded as fit for purpose even if a little lengthy (they must be sufficiently detailed to inform the job evaluation exercise necessary to decide upon pay and grading).

4.2 Some inconsistencies have been picked up in the generic parts of job descriptions across some CO posts and these will be addressed in the final versions where the same generic content will be used across the whole CO tier. These inconsistencies largely relate to how partnership and transformation responsibilities are described and whether the post holder leads or contributes to these activities.

4.3 A number of consultees felt that the CO job description should contain a stronger focus on the strategic element of the roles which was seen by some as the primary purpose of the role rather than an operational focus. The proposed structure has been based upon the CO posts being fully accountable for service delivery under the direction of the relevant SD. The CO would also be fully expected to liaise with the relevant Lead Member on service delivery issues. These posts would, however, also be expected to make a significant contribution in supporting the SDs in the ongoing development of strategy in their areas. This balance has been addressed in the final versions of job descriptions and person specifications.

4.4 The FPH as a statutory consultee on the DPH post which is integrated within the CO (HWB) post has asked that the full content of the DPH exemplar job description issued by the FPH is included in the current issue of the job description for proposed CO post as opposed to a summary version of the DPH duties and responsibilities which has been blended with the wider HWB responsibilities. PHE which is also a statutory partner in the DPH appointment process has argued for a stronger expression of the DPH's strategic leadership role in the job description.

4.5 The CO (HWB) job description has been modified within a further draft to retain as its core the wider HWB responsibilities and corporate focus whilst the statutory requirements of the DPH role have been included in their entirety as an annex to the main job description and cross referenced with the core part of the document where appropriate.

## 5.0 PROPOSED PAY GRADES

5.1 This area attracted a significant number of comments with respondents roughly equally divided as to whether there should be a single pay band or as proposed two pay bands at CO level with the Statutory Officer positions attracting a higher pay band as per the outcomes of job evaluation undertaken by WME.

5.2 A number of respondents argued the case strongly that there should be a differential given that there were greater risks and more complex levels of responsibility with posts associated with the statutory officer roles. Others argued that a starting position with differential pay within the CO tier potentially undermined the need for this group to gel and display unity in taking the Council forward. A few officers argued that there were inherent risks within the EEH Directorate CO roles that weren't necessarily articulated to the extent that they might be in People Services for example.

5.3 The issue of differential pay was seen as less of an issue at the SD tier where there appeared to be a greater level of consensus that the SD (People Services ) should be paid on a higher salary scale than the two other SDs

5.4 There was an acknowledgement that should posts need to be advertised externally there may well be a need to apply a market factor to take salary above the proposed rates for COs and possibly SD posts. Some respondents emphasised that this should only be applied if there was a need to appoint from outside the Council rather than attaching a market factor irrespective of whether there was a need to advertise externally. The provisions of the Council's existing Market Force Supplements will be applied where relevant.

5.5 PHE and the FPH both felt that the CO (HWB) post inclusive of the DPH duties would require a market supplement of possibly 20% of base salary for the post to attract a quality candidate in a very tight DPH market. Benchmarking activity undertaken by West Midlands Employers has indicated, however, that many metropolitan borough and unitary councils are employing DPHs on salary bands very similar to that currently proposed through the paper considered by Cabinet on 3<sup>rd</sup> July 2014. It will be recommended to the Appointments Committee that the CO (HWB) post including the DPH role is advertised at the proposed salary band of £95k to £99k.

5.6 A large number of consultees felt that there should only be fixed spot salaries rather than incremental scales as proposed. These respondents stressed that there was possible reputational issues in that the first round of incremental progression would see the highest earners enjoying a pay rise when the rest of the Council could possibly be subjected to a further pay freeze or a below inflationary rise. Incremental progression is, however, a feature of all other pay scales across the authority and the original proposal if adopted ensures a consistency of approach for all employees regardless of status.

5.7 Other comments included reference to the challenge of trying to meet any demands or public expectations that the incremental rises are linked in some way to performance and how this would be measured. Alternatively the basis of an increment to reflect a year's experience in the post was seen as inappropriate with further comment that at such a senior level the appointee should be expected to master their responsibilities from the first day of office.

5.8 Some respondents emphasised that the proposed salary levels for SD and CO posts now reflected the regional rates for similar posts. Comment was also made that the significant reduction in senior managers envisaged by the proposals with a 45% decrease in the number of officers at

third tier and above would have a major impact on job size and scope of responsibilities for those remaining posts. Given this reduction comment was made that the proposed salaries reflected that fact and are also at a level that should attract high quality candidates should any post be subject to external advertisement.

## **6.0 SELECTION POOL ARRANGEMENTS AND ASSOCIATED TIMESCALES**

6.1 There was no adverse comment on the proposed selection pool arrangements and all understood that appointments from the selection pool could not be guaranteed and that subject to the implementation of its Redeployment Policy the Council may decide to eventually advertise any of the proposed posts on the open market.

6.2 The indicative timescale was understood without any views expressed that it was inappropriate. The main comment in this area related to the timing of the appointment of the new Chief Executive and whether the appointed candidate could play any part in the appointment of the SDs and COs given the close proximity time wise of the two selection processes for the Chief Executive and the SD/CO posts. A number of respondents felt that the Chief Executive Designate should participate in the selection process for 2<sup>nd</sup> and 3<sup>rd</sup> tier officers.

## **7.0 OTHER COMMENTS**

7.1 A number of officers especially those in acting posts welcomed the opportunity to comment on the proposals and felt that the whole process of the senior management restructuring was to date being well managed. Negative comment on the process was minimal.

7.2 Many consultees expressed the view that the new structure would help the Council move its agenda forward within challenging budgetary conditions. A number of respondents referred to the need to support the restructure at all levels through well considered leadership on cultural change and that it was vital to appoint the right senior officers who could inspire and motivate employees. The need for an accompanying cultural change programme to support the new posts was raised by a number of officers in the consultation round.

7.3 The restructure was seen as a radical and brave step for the Council in the eyes of a number of respondents. Overall there was much support for the need to take such steps even allowing for the resultant anxiety that will be experienced over personal job security and uncertainty of future position.

**John Polychronakis**

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**From:** Cllr. Patrick Harley  
**Sent:** 10 September 2014 11:14  
**To:** Teresa Reilly  
**Cc:** John Polychronakis

Hi Teresa

This is the submission for the consultation from the Conservative Group:

It covers three key aspects of the report:

- 1) Duration of future Chief Executive
- 2) Children's & Adults Social care
- 3) Pay structure

1)

The Conservative Group recognise that such a post is essential to both "hold a complex organisation together" and drive forward the political leadership's vision for the Borough. It is accepted that such was Dudley's renown as a well-run local authority that it had been consistently successfully in retaining senior officers who could probably have sought greater financial reward elsewhere. However, the restructuring plan should be an evolving project and one that within 5 years could possibly deliver capability to function without the need to employ a Chief Executive in the current role and pay structure.

Therefore we would propose that any new Chief Executive is employed on a fixed term contract. This would enable politicians to measure performance and ensure that the relevant change was being driven from the Chief Executive down. One of the current issues is that senior members of the council hierarchy have been accused of creating silos and empire building and of then being protectionist when challenged with change. A new CE on a fixed term would be tasked with delivering the real change needed geared to pushing through the necessary transformation of the Council – "recruiting for a task, rather than for a job."

Obviously, a fixed term could be renewed if the Council Leadership at that future time thought it an option. At the same time future consultation may decide that the role could be changed to that of a hard-driving Chief Officer instead.

2)

It seems that the basic premise for separating out adult and children's social services was the size of the budget under the control of a single Chief Officer. This really makes no sense as it is the fitness for purpose of the service that should be a priority rather than the relative 'clout' of the officer.

The Conservative Group having looked at a number of scenarios feel that if we are really going to remove silos and have cross council working, we only need to remove the word 'children's' from the top line of the children's social services chief officer.

This will actually have the effect of balancing the budgets of the Chief Officers better across portfolios. Since most members all appear to agree that children who have demand on social work

support are normally the product of a dysfunctional family, we believe we should include the line troubled families in that brief also.

As education is becoming a smaller part of the Councils responsibility and seems likely to continue that way, it seems reasonable to leave it where it is. The effect of this small amendment will be to effectively turn the 'Chief Officer for Children's services' into the 'Chief Officer for social care commissioning and education' and the 'Chief Officer for Adult Social Care' into the 'Chief Officer for Social Care provision'. A client and provider relationship which is particularly relevant if you look at the lines 'Access to Care' and 'All Age Disability Support'.

3)

We do not accept that 11 very privileged individuals will have effectively been exempted from the austerity measures of the last four years by having a pay increase of between 30 and 40 percent, whilst all other staff have had their pay frozen (even those on the lowest pay scales). If we take account of the single status changes, many have had their pay cut.

The suggestion that the extra responsibilities would lead us to being unable to recruit the right calibre of people may be true, but that is a bridge we should cross 'IF' we come to it. This looks for all the world like fat cats looking after themselves.

The Group were interested to hear how Colin Williams suggested that the £1 million saving would be made by setting a budget envelope for the review of the forth tier management. This, in effect means that the extra £300,000 being paid to those 11 can't be used to fill 4th tier responsibilities. This could well have the perverse effect of overburdening more junior managers and causing service failures due to lack of control.

This is bad management. We might just as we have gotten rid of the surplus AD's and created three new Directors on the current pay scales instead. Minimal disruption, minimal redundancy payments required, which by the way, haven't been factored into the savings figures presented. When will these savings show any return after redundancy or early retirement bonuses, as the salary increases will be with immediate effect.

Looked at another way, if we leave their pay as is, we could save £1.3 million.

Many thanks  
Cllr Harley



Policy & Procedure for Market Forces Supplements

**1.0 Introduction**

- 1.1 The Council is committed to the principles of equal pay for work of equal value and has introduced job evaluation schemes to measure the relative value of relevant posts.
- 1.2 This document sets out the Council's Policy relating to Market Force Supplements (MFS), the Procedure by which requests are considered and approved, how they are determined and the conditions applied to them.

**2.0 MFS**

- 2.1 There will be occasions when the grading determined for a post through job evaluation is insufficient to successfully recruit to or retain staff in particular posts because of market rates offered by other (public sector) employers locally, regionally or, in some cases, nationally. To address this, it may be appropriate to pay a MFS in addition to salary to ensure that such a post can be filled or the post holder retained by the organisation. Such a supplement is lawful under the Equal Pay Act (1970/5) where there is evidence to justify that market factors are the 'genuine material reason' for the post attracting a higher rate of pay than other similarly graded posts.
- 2.2 Market factors should not be used to protect existing hierarchies, therefore, its usage is not intended to be used as a means to re-instate or maintain a particular level of pay.
- 2.3 The first and most important principle of MFS is that they should reflect the levels of pay (not other benefits) in the market for which they are determined. This allows the supplements to be removed or eliminated over a period and ensures that they are introduced for an identifiable and specific purpose and period.
- 2.4 The use of MFS must be based on factual evidence and not simply used as an alternative to resolving other managerial issues. If MFS are not based on market evidence, the Council will remain open to equal pay challenges.
- 2.5 In applying the MFS scheme, the following criteria must be met:
  - a) Payments must be approved by a Head of HR in conjunction with the relevant service Chief Officer and the Chief Officer with responsibility for Finance;
  - b) Clear evidence of difficulties in recruiting or retaining staff must support applications. This will include advertising costs, numbers of applicants, brief and unbiased comment on calibre of applicants, results of interviews and identified shortfalls. In the case of retention, evidence of employees applying for the same kind of job elsewhere in the public sector must be provided;
  - c) A clear rationale must be outlined with each application for MFS that describes why a particular post should attract a supplement MFS and what benefits the application of a MFS will bring;
  - d) The amount to be paid as a market supplement can only be changed (increased, decreased or removed) as a result of a formal review;

## APPENDIX 4

- e) All applications will be limited to a three-year span and will end automatically at that time unless a new business case has been submitted and agreed following a formal review by the relevant service Chief Officer after 2 years;
- f) The supplement will be for a fixed amount based on market data evidence. Wherever relevant and available in sufficient volume, such evidence drawn only from comparable organisations will be established through the national local government “Epaycheck” database operated in partnership between the LGA and Regional Employers Organisations;
- h) Market supplements will be superannuable and will be subject to normal deductions e.g. tax and national insurance;
- i) All particulars, including employment contracts for such posts must identify market supplements as a distinct and separate element of pay and must state the duration and conditions of the supplement;
- j) All staff holding posts in the same unique job group (as identified under the relevant job evaluation scheme) must receive the same supplement on the same conditions;
- k) On approval of the request for a MFS, the appropriate rate will be determined by HR and OD based on the information held on database;
- l) Only in exceptional circumstances will a MFS payment in excess of two additional grades be approved. If the MFS identifies the need for more than 2 grades above then the relevant Chief Officer, supported by HR will undertake a formal review of the structure and overall comparative structures to identify whether the issues can reasonably be tackled more holistically.
- m) All post receiving a MFS payment will be reported in the annual Pay Policy statement

### **3.0 Managing / Reviewing Market Forces Supplements**

- 3.1 MFS must be approved corporately to ensure that there is consistency across the Council and to ensure that decisions to pay supplements can be objectively justified if challenged.
- 3.2 To apply for a MFS the relevant Head of Service needs to prepare a business case following consultation with the HR Service Partner and confirmation from the Group Accountant that funding is available. The business case must meet the conditions outlined in paragraph 8.5 and section 9. The report should be submitted to a Head of HR to confirm that the evidence in the business case is satisfactory and that the case is equality compliant before submission to the service Chief Officer and Chief Officer with responsibility for Finance. If approved by these Chief Officers, a Decision Sheet will be required to be submitted to the Cabinet Member for HR &OD for final authorisation.
- 3.3 The length of time for which the initial supplement remains in place should not exceed three years. At the end of year two, the MFS must be reviewed to ensure that the supplement remains justified. Such a review should take the form of re-submission of evidence indicated in section 8.5 and should be approved through the mechanism in 9.2. Where the market changes to the extent that the supplement can no longer be justified, it must be removed. Equally, if market evidence and recruitment/retention rates indicate the MFS should be increased or decreased, a revised business case may be submitted for approval through the mechanisms outlined in 9.2. If a post to which a supplement is attached becomes vacant, the supplement must be reviewed before permission to fill the post is sought.

## APPENDIX 4

3.4 At the point of review at the end of year two, any new authorisation of a MSF payment would come into effect at the end of year three. Therefore, Managers need to be clear about the longer term need for the supplement. Any decision to increase the supplement would come into effect immediately. The increased rate would also apply to any extension of the supplement due to take effect at the end of year three. Similarly, any decision to reduce or remove the supplement would come into effect at the end of year three, effectively giving one year's protection and notice of the change. The relevant Chief Officer will issue notice of any change/the outcome of the review. If a market is particularly volatile any change to these arrangements must be based on a revised business case drawn up in line with paragraph 8.5 and section 9.

3.5 At the review stage any MFS payment identified to be reapplied after the 3 years will require confirmation through the Decision Sheet process for HR&OD Cabinet Member.

### **4.0 Determining Market Forces Supplements**

4.1 In order to be defensible in case of internal or external challenge, any supplement must meet **the initial mandatory criteria** of being able to evidence one unsuccessful attempt to recruit in the preceding four months **plus at least one** of the following four criteria:

- 1) Regional public service market data shows higher salaries for **equivalent** work;
- 2) DMBC will only pay MFS where the median of the salaries range for equivalent work in the organisations covered by the comparative data set is 10% above the level currently paid within the council following evaluation;
- 3) Up-to-date market information must be obtained by HR from the Epaycheck database, or an alternative reputable database for specific roles in particularly volatile areas. Any costs associated with market testing and research will be met by the relevant directorate and procured by HR;
- 4) Evidence of skilled staff leaving the Council to neighbouring authorities for higher salaries. (Comparable job descriptions/specifications and exit interviews evidence should be available).

4.2 In all cases the criteria triggering requests must be valid and demonstrable at the time that the supplement is requested. Supplements must not be paid to compensate for salary changes arising from restructures or job evaluations.

### **5.0 Payment of Market Forces Supplements**

5.1 Any supplement paid to a newly recruited post holder should be paid to all other post holders in identical posts (identified as the same job group under job evaluation) as a retention aid. Failure to do so could result in claims of discrimination. Details of the number of other posts that would receive the MFS must be included in the initial request for information. It is critical that an equality impact assessment (EIA) analysis is compiled to assess the affected posts before any MFS payment is approved for a whole job group. This should be submitted as part of the information for the service Chief Officer and Chief Officer with responsibility for Finance and will be a background paper for the political Decision Sheet.

### **6.0 Equality**

6.1 Inconsistently managed MFS may give rise to equal pay claims and hence must be based on objective, demonstrable criteria at the time of application and throughout the

duration of the payment. An EIA analysis will be compiled prior to the payment of any MFS as set out in paragraph 11.1.

**7.0 Funding**

7.1 There is no central budgetary provision for payment of Market Forces Supplements. Services will need to identify existing resources at the time of application; this needs to be confirmed by the appropriate Group Accountant. Particular emphasis needs to be given to considering costs when a whole job group would attract payment. Consideration must also be given to the fact that some job groups are spread across a number of directorates

**Minutes of the Overview and Scrutiny Management Board**

**Monday, 8<sup>th</sup> September, 2014 at 6.00 p.m.  
at the Council House, Priory Road, Dudley**

**Present:**

Councillor Tyler (Chair);  
Councillor A Finch (Vice-Chair);  
Councillors D Blood, I Cooper, C Hale, M Hanif, R James, L Jones,  
M Mottram, K Turner and M Wood.

**Officers:**

R Sims, Assistant Director (Housing Strategy and Private Sector - Lead Officer to the Board) – For Minute Nos. 9 to 15 below.

J Polychronakis (Chief Executive), C Williams (Director – West Midlands Employers) and S Griffiths (Democratic Services Manager - Directorate of Corporate Resources)

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9      **Apology for Absence**

An apology for absence from the meeting was submitted on behalf of Councillor C Elcock.

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10     **Appointment of Substitute Member**

It was reported that Councillor M Wood had been appointed as a substitute for Councillor C Elcock for this meeting of the Board.

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11     **Declaration of Interests**

No Members declared interests, in accordance with the Members' Code of Conduct, in respect of any of the items to be discussed at this meeting.

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12     **Minutes**

Resolved:

That the minutes of the meeting held on 11<sup>th</sup> June, 2014, be approved as a correct record and signed.

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13      **Change in Order of Business**

Resolved:

That the remaining items of business be considered in the order shown in the minutes below.

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14      **Amendment to the Annual Scrutiny Programme 2014/15**

Further to Minute No. 7 of the meeting held on 11<sup>th</sup> June, 2014, the Director of Corporate Resources reported on a proposed amendment to the Annual Scrutiny Programme for 2014/15.

At its meeting on 16<sup>th</sup> July, 2014, the Health Scrutiny Committee had resolved to recommend the Board to consider a proposal to change the Health Scrutiny Committee's area for review to be the Dudley Physical Activity and Sport Strategy. This would replace the original item on Elements of Patient Experience in Acute Care.

A view was expressed that the proposed amendment undermined the validity of the process whereby the Board set the Annual Scrutiny Programme at the start of the municipal year. A Working Group had already been established to begin consideration of the Dudley Physical Activity and Sport Strategy.

The Chair of the Health Scrutiny Committee responded to the above points. It was noted that the proposed amendment was a recommendation from the Health Scrutiny Committee, however, the final decision rested with the Overview and Scrutiny Management Board.

Resolved:

That the recommendation of the Health Scrutiny Committee to amend the Annual Scrutiny Programme for 2014/15 by the inclusion of the Dudley Physical Activity and Sport Strategy, in place of the item on Elements of Patient Experience in Acute Care, be approved.

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15      **Forward Plan of Key Decisions**

The Board received the Forward Plan of Key Decisions for the four month period commencing 1<sup>st</sup> September, 2014.

Reference was made to the item in the Forward Plan concerning consultation on School Place Planning and it was noted that this was within the remit of the Children's Services Scrutiny Committee.

With regard to the localised Council Tax Reduction Scheme the Board noted that consultation would only be required if the scheme was amended from that agreed by the Council in December, 2013.

Resolved:

That the Forward Plan of Key Decisions be noted.

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16 **Review of Senior Management and Organisational Structure**

The Board considered a report of the Chief Executive on proposals for the Council's senior management restructure. Following an introduction from John Polychronakis, Chief Executive, the Board received a presentation from Colin Williams (Director – West Midlands Employers) on the proposed senior management and organisational structure, together with proposals for the appointment of a new Chief Executive. The Cabinet had endorsed proposals at its meeting on 3<sup>rd</sup> July, 2014 to form the basis of formal consultation in line with an agreed procedure and timetable.

The Chair indicated that no written questions had been submitted in advance of the meeting and invited Members of the Board to ask any questions on the report and presentation. The Board raised a range of issues as follows:

- The creation of a Strategic Director (Resources and Transformation) was noted. However, a Member questioned why Finance and Legal Services had been combined in the remit of one Chief Officer, with particular reference to the distinct governance roles of finance and legal services, including the statutory functions of the Section 151 Officer and the Monitoring Officer. The Board was advised that this was ultimately a matter for the Council to decide. However, the structure provided for all statutory officers to have direct channels of communication to the Chief Executive. Future job descriptions would clarify this and the statutory officers would be represented on the Council's senior management team. The recommendation was based on the number of Chief Officers overall and the need to reflect major corporate challenges associated with the transformation of services. The Chief Executive indicated that this issue had been raised during the consultation and would be reflected in the report to the Cabinet and Council in October, 2014.
- The structure was designed to be flexible to respond to any future decisions of the Council to outsource functions or to adopt different models of service delivery, without undermining the basis of the organisational structure.
- Members questioned whether the salaries of Chief Officers would be set at the same level or reflect different levels of responsibility. It was reported that posts had been evaluated and currently, two bands of 'job size' had been identified at Chief Officer level. An alternative was to consider market supplements for certain posts in appropriate circumstances.

- Arising from the above point, it was reported that the three proposed Strategic Director posts had also been subject to a job evaluation process, leading to potentially different salaries for these posts taking account of varying levels of responsibility.
- It was confirmed that teaching staff were not included in the restructuring proposals under consideration at this meeting.
- The financial implications were questioned in the context of the overall saving of £1m from senior management posts. Although the number of Directors and Chief Officers would be significantly reduced, the job evaluation of the senior posts would result in additional costs to be absorbed elsewhere in the structure. Assurances were sought that any increase in senior management salaries would not create unacceptable pressures on 4<sup>th</sup> tier posts and below. A key principle of the restructure was to devolve greater responsibility and decision making to lower tiers of management and it was considered important to ensure that the workloads of employees at fourth tier and below were not increased to levels that created unacceptable risks to services. A concern was also expressed that the structure did not contain sufficient flexibility to address these concerns at a later date if adverse service issues became apparent.
- The Chief Executive acknowledged that risks had been identified during the consultation process and all efforts would be made to minimise these risks moving forward. However, the principles associated with greater devolved decision making were fundamental to the change of culture and approach referred to in the report. The proposals aimed to establish a structure that was 'fit for purpose' and save £1m, taking account of reductions in senior management levels together with associated support and on costs.
- Reference was made to the allocation of responsibilities below Chief Officer level. It was noted that the proposed structure indicated a broad outline of functions for further consultation once the senior management positions were appointed. Job evaluations would be undertaken, but the restructuring would have to be implemented within the overall savings identified. Particular reference was made to the possibility of reconsidering the inclusion of ICT Services as a function under Finance and the possibility of combining relevant budgets to support the transition of young people from Children's Services to Adult Services.
- In relation to budget responsibilities, the Chief Executive indicated that the structure would provide for a corporate approach with significant input from the 3 strategic Directors and the Corporate Management Team. The structure recognised the significant corporate budgetary challenges faced by the Council in future years.
- The Board acknowledged the significant corporate challenges associated with service transformation and particular areas that would be affected with key developments such as the implementation of the Care Act.



- In response to a question concerning the approach taken by other metropolitan authorities, an assurance was given that the structures of other Councils had been considered in submitting recommendations. However, the key issue was to propose a structure that was fit for purpose in Dudley and which met the financial brief to save £1m.
- In response to a question concerning feedback received to date, the Chief Executive reported that the restructuring was an inclusive process and the two main areas of feedback related to the Chief Officer for Finance and Legal Services and the salary grades of the Chief Officer posts. These issues would be reflected in the report to Cabinet and Council.
- Further comments were made concerning the potential for reductions in the number of posts at 4<sup>th</sup> tier level and the effect this might have on services, particularly in the event of the long term absence of any key post holders. It was considered that a key element of the restructuring was the ability of the Council to recruit and retain employees and in this regard, the Council should pay the market rate for key posts within the overall budget available.
- In response to a question concerning the inclusion of private sector housing alongside health and wellbeing functions, it was noted that all the functions at 4<sup>th</sup> tier were subject to review and there was a potential for functions to be moved during the next stage of consultation.
- The Chair indicated that since the existing Scrutiny Committees were based on Directorate structures, the restructuring would necessitate a review of Scrutiny Committees and associated support functions. This was a matter for Members to consider, but it was suggested that Scrutiny Committees should closely reflect the 8 Chief Officer (and Cabinet Member) portfolios in the future.
- Reference was made to the involvement of the Council's workforce in the consultation and the Chief Executive repeated his commitment that the process was being managed in an inclusive and consultative manner. Trade Unions had been involved in the first stage consultation and various responses had been received from individual members of staff following the publication of information on the Intranet. A further detailed consultation would take place during December/January, following the appointment of the Chief Executive, Directors and Chief Officers, in line with the timescales set out in the report.
- The Chair questioned the 'ring fencing' of posts at 2<sup>nd</sup> and 3<sup>rd</sup> tier levels, which might not achieve the required fundamental change in culture and approach as referred to in the report. The Chief Executive indicated that existing post holders would not be automatically appointed to any new posts under the revised structure. Existing post holders would be afforded the opportunity to be considered, but the decision on appointments was a matter for the Appointments Committee. Posts would be advertised externally if the Committee so decided.

- In relation to Black Country Joint Working and shared services, the Chief Executive emphasised the need for the Council to be engaged in more collaborative working with the Black Country and West Midlands authorities. The proposals were designed to achieve stability over the next three years and the proposed structure would not restrict any ongoing work.
- Reference was made to the potential for scrutiny support being included in a centralised policy support team. Such a team could also oversee corporate issues such as equality and the co-ordination of funding bids. It was recognised that the restructuring might provide the opportunity for services to be realigned or centralised from within existing teams. However, the creation of dedicated support functions would have to be viewed in the context of overall affordability and the potential for self-financing.
- Support was expressed for the combination of Planning and Economic Development functions within the Chief Officer portfolio.
- It was noted that in addition to the Leader and Deputy Leader, the 8 Chief Officer positions would mirror the future Cabinet portfolios. The view was repeated that Scrutiny Committees should be closely aligned to these portfolios to allow Members to undertake in depth scrutiny of specific topics.

Following the general discussion and final comments, the Board was invited to consider making any recommendations or observations to the Cabinet. The following points were noted in summary:

- The Council must consider and work within the overall financial 'envelope' with the aim of saving £1m from senior management. The pay structure at the top three tiers of management should not inhibit the proposals for the development of management at the 4<sup>th</sup> tier and the Council should be mindful of any potential risks to services as referred to at this meeting.
- Consideration should be given to combining Adult and Children's Social Services budgets to take account of the need for seamless management of key budget issues in the future.
- Assurances were sought that the new structure would provide for flexibility and corporate working across all service areas.
- The restructuring should build in appropriate flexibility to ensure that any ongoing issues can be reviewed and dealt with in a timely way and that the overall proposals should be subject to full evaluation after 12/18 months.

- Subject to points noted above, general support was given to the proposal to review functions at the 4<sup>th</sup> tier level following the appointments to the top three tiers of senior management, in accordance with the agreed timescales. It was confirmed that the 4<sup>th</sup> tier consultation would be reported to the Board in due course.
- The changes to Directorate structures would necessitate a full review of Scrutiny Committees and this should be a Member-led process.

At the conclusion of the meeting, thanks were recorded to the Chair and Members for their contributions to the consultation process. The Chief Executive and the Director of West Midlands Employers were thanked for their attendance and responses to the issues raised at the meeting. A Member also recorded his thanks to C Williams for his past work on the implementation of the pay and grading review.

Resolved:

That the Chief Executive include a summary of the key issues raised by the Board, as set out above, in his report to the Cabinet on 1<sup>st</sup> October and the Council on 13<sup>th</sup> October, 2014 concerning the review of the senior management and organisational structure.

The meeting ended at 7.55 p.m.

CHAIR



**Equality impact assessment**

**Name of policy, service or decision:**

**Review of Senior Management Organisational Structure.**

**Lead directorate:** Corporate Resources (with support from West Midlands Employers)

<p>1. Description – what is being assessed?</p> <p>The impact of a potential major restructuring of senior management posts and responsibilities to include all posts (87 posts) currently operating at 4<sup>th</sup> tier level or above in the current organisational structure. The review of senior management posts has been undertaken with a view to securing a future structure that it is both fit for purpose and capable of achieving up to £1 million pounds worth of savings against the current organisational model. The number of posts is likely to reduce to a figure of 71 although this will need to be finalised through further consultation and proposals at the later stages in the programme mainly due to be implemented by 31 March 2015.</p>
<p>2. Lead officer on assessment:</p> <p>David Johnson, Associate, West Midlands Employers.</p>
<p>3. Head of service:</p> <p>John Polychronakis, Chief Executive</p>
<p>4. Members of assessment team:</p> <p>David Johnson, Associate, West Midlands Employers, Colin Williams, Director, West Midlands Employers, Teresa Reilly, Assistant Director, Human Resources and Organisational Development. EIA shared with relevant trade unions</p>
<p>5. Date assessment began: 9<sup>TH</sup> June 2014</p>
<p><b>Background</b></p>
<p>6. What are the aims and objectives or purposes of the policy or function/service?</p> <p>The Council has over the past six months engaged West Midlands Employers</p>

(WME) to undertake a major independent review of the current senior management structure. The senior management structure needs to be fit for purpose taking account of the strategic aims of the Council and its responsibility to commission and/or deliver both a range of statutory and non statutory functions to the people of Dudley and in doing so offer value for money.

The Council also faces an ongoing and challenging financial public sector environment with the consequent need to achieve significant levels of savings. The review of senior management organisational structures has been undertaken with a view to achieving a position where full year savings of up to £1 million can be realised whilst still maintaining sufficient senior management capacity to support elected members to deliver the aims and objectives of the Council for the benefit of Dudley.

The proposed structure for formal consultation has been arrived at through the independent review undertaken by Colin Williams, Director, WME and has involved a significant amount of consultation with both officers and elected members in the examination of a range of potential organisational structures. Benchmarking has taken place in relation to other similar metropolitan and unitary councils both locally and nationally.

7. Who is it intended to affect or benefit (the target population)?

The Council's budget reduction process and its consequential impact will have an effect on service users of the Council and potential service users and carers given issues such as changing demography. The senior management restructuring process will impact on managers and other employees and will need to be managed through an effective management of change programme.

The key benefits may not be immediately apparent at the outset but the new structure allied to the drive around the service transformation agenda and underpinned by an effective organisational developmental programme for managers will combine to provide the Council and local residents with highly skilled professional and community leadership aimed at improving the quality of life in the Borough.

Details of dudleys current salary ranges are detailed at the end of this EIA

8. What are the main issues relating to each protected characteristic?

Consider all three parts of the public sector equality duty:

- eliminating discrimination, harassment and victimisation,
- advancing equality of opportunity, and
- fostering good relations

All protected characteristics

Posts paid at or above grade 14 (£50,358) on the pay scale can give a reasonably reliable indication of current senior management numbers in terms of capturing data relating to diversity and protected characteristics. There are currently 87

	<p>employees paid at grade 14 or above and the following analysis uses data relating to this group where relevant. The number of posts ultimately affected by restructuring proposals is very similar although the final number will be determined through further proposals to be brought forward in early 2015.</p> <p>It is not possible to break down the group of 87 employees into the specific management tiers ( Directors, Assistant Directors etc.) for purposes of this equality impact assessment as this would place individual employees at risk of personal identification and breach the confidentiality of employee data.</p> <p>Comparative figures for the whole Dudley MBC workforce (6863 employees excluding schools) are also given where relevant.</p>
Age	<p>39 employees who are paid on grade 14 or above are aged 55 or over and this represents 44% of the management cohort potentially subject to restructure proposals. This is a significantly higher figure than that which applies to the whole Dudley MBC workforce where 23% of all non- school employees are aged 55 or over.</p> <p>This discrepancy may well be explained by the fact that over the last few years the Council has offered employees the opportunity to apply for voluntary redundancy as part of successive budget round savings proposals and these have reduced the size of the workforce outside senior management grades. 93 non school employees for example took voluntary redundancy in 2013/14. Voluntary redundancy tends to be more attractive to employees over the age of 55 who can access pension benefits if a member of the LGPS.</p> <p>10% of the management group are aged 60 or over and this particular figure is the same as that which applies to the total Dudley MBC workforce profile.</p> <p>When an expressions of interest in VR is run corporately all employees have the opportunity under current policy to express an interest in voluntary redundancy (VR) if the service can accommodate the request. In the light of pension provision and severance payments those who volunteer are likely to be within older age groups (55 years of age and above) given the ability to</p>

	<p>access pension with or without actuarial reduction. Volunteering is a progressively less attractive option to employees below the age of 55 due to the lack of immediate access to a pension benefits.</p> <p>In terms of compulsory redundancies older employers may find it more difficult to find alternative work outside the Council despite age discrimination legislation.</p> <p>The options for any displaced senior managers who are made compulsory redundant may be limited as other public sector organisations across the region undergo similar reductions in senior management capacity with few opportunities for external recruitment.</p> <p>Selection pools in compulsory redundancy situations will employ selection criteria that do not discriminate on grounds of age whilst interview procedures (and any associated assessment tools) will focus on skills and competencies rather than time served to eliminate the potential for age discrimination in appointments.</p>
Disability	<p>Of the management group paid on grade 14 or higher there are 8 employees (9%) who have declared that they have a disability. 70% of the group have preferred not to disclose whether they have a disability or not leaving 21% who have declared no disability.</p> <p>The management cohort figure (9%) for disability is significantly higher than the Council as a whole with just over 3% declaring that they have a disability in the workforce ( excluding schools). This discrepancy may be partly explained by the fact that the management group profile is older with higher proportions of employees aged 55 or older than the general workforce profile.</p> <p>Selection pools used to ring fence employees to posts will not have any criteria that uses absence that is in any way related to a disability. Employees are encouraged through an annual return to advise the Council of any change in circumstances around the issue of disability to ensure that appropriate advice and support can be given on the basis of updated information to any potential applicant for a post(s) in line with the published recruitment and selection policy. Reasonable adjustments will be made in the</p>

	<p>appointment procedures to accommodate any declared disabilities.</p>
Gender reassignment	<p>At present there are no employee statistics available to support any analysis or commentary on this protected characteristic although the Council's policy is to ensure that employees who have undergone or about to undertake gender reassignment are not in any way discriminated against in the operation of its employment practices.</p>
Pregnancy or maternity	<p>Employees on maternity / additional paternity and adoption leave have been kept informed of the consultation process and will continue to be consulted during the implementation phase if Council approves the proposed senior management restructure.</p> <p>Selection pools for various tiers of posts as well as assessment and selection methods for posts will not employ any criteria such as absence from work due to maternity, paternity or adoption leave.</p>
Ethnicity	<p>The current group of managers paid on Grade 14 and above is pre dominantly White/White British in terms of ethnic grouping with 91% of the group. Just under 6% of the group come from Asian/ Asian British, Black/Black British or dual heritage backgrounds whilst 3% of respondents preferred not to declare their ethnic origin.</p> <p>The above profile basically mirrors that of the whole Dudley MBC workforce which has very similar proportions of the groups detailed above. These two profiles can be compared with the ethnicity profile for Dudley's population as a whole where 10% of residents are from BME groups.</p> <p>Employees from some BME groups may possibly find it harder to find alternative posts outside of the Council should they find themselves made redundant as a result of senior management restructuring given that there is under representation of persons from BME backgrounds in the public sector workforce in many</p>



	<p>areas and this is especially true of senior management grades.</p> <p>Figures for the top 5% of earners in the Council (a larger group of 341 employees in comparison to those managers on grade 14 or above) show that 7% of BME employees are in the top earners compared with a figure of 5% for upper tier councils in the most recent national survey by the LGA for local government (based on 2012/13).</p>
<p>Religion or belief</p>	<p>Data limitations in terms of a relatively low number of employees wishing to declare their religion or belief render it difficult to arrive at any significant or reliable conclusions on this protected characteristic. The % figure for the group of managers paid on Grade 14 or above who did not respond or preferred not to disclose their religion or belief was 35%. This is lower than the 48% figure for the wider Council workforce.</p> <p>Selection methods employed in the restructuring process will not in any way seek to probe an individual's religious beliefs.</p>
<p>Sex</p>	<p>Males make up 53% of the current management group at grade 14 or higher with women at 47%. This contrasts with the wider workforce figures where women make up 66% of employees (excluding schools).</p> <p>On the basis of the above figures at a Council wide level there is a slightly greater risk of redundancy for male managers although this will vary within specific directorates ( for example Children's services has a greater proportion of female managers than Urban Environment).</p> <p>The majority of managers tend to be full time employees and there are less part time workers in these grades. Where part time employees work in management grades they tend to be predominantly female which may present issues within the loss of posts as it is often simpler to identify the loss of a full time post rather than the loss of part time posts.</p> <p>Where a full time employee has expressed an interest in VR it may be difficult to bump part time employees to fill the potential vacancy as they may not be able to cover the required hours or</p>

	<p>achieve a suitable job share arrangement. Arrangements need to be put into place to explore the scope for a job share match across the Council to enable bumped arrangements to be considered as per a full time bump.</p> <p>Elected Members and Senior Managers with HR advice will need to carefully consider whether posts at various management levels can be job shared effectively against business requirements</p>
Sexual Orientation	<p>There is no reliable data available to draw conclusions on this protected characteristic. 70% of the management group paid on grade 14 or higher prefer not to disclose their sexual orientation.</p> <p>The Council's employment policies will continue to ensure that employees are not discriminated against on grounds of sexual orientation and that all procedures relating to selection pools, appointments, redundancy and redeployment are free from any such bias.</p>

**Stage 1 – evidence gathering**

Provide details of all information about the policy, service or decision which will help with the assessment. Use the headings below as reminders of what may be useful, although this not an exhaustive list.

**Equality monitoring data:**

What systems are in place to monitor current and future impact for each protected characteristic? What monitoring data is collected for each of the protected characteristics? Set out details of this data.

The Council's PSE system contains each employee's personal details from which aggregated reports can be produced to monitor various protected characteristics (except for gender change and sexual orientation where insufficient data is available). Employees are requested annually to check their data using a self service option within YourSelf on the system. The Council is able to generate employment profiles from this system and identify areas of under representation at various levels in the workforce including managerial grades. Data can also be made available for monitoring purposes on a directorate and division basis.

The Council experience of implementing major savings reductions in the past three years with consequent impact in terms in reducing staff numbers and data relating to applications for voluntary redundancy and subsequent approvals plus any compulsory redundancies is collected on the basis of the main protected characteristics. Some of this data is presented below where relevant.

**Engagement and customer feedback:**

All relevant employment policies and procedures that cover the restructuring of senior management have been developed in consultation with the recognised trade unions and professional associations representing the Council's workforce. These policies include managing employees at risk of redundancy, managing employees through a restructuring procedure, redundancy appeals, selection for redundancy procedure, bumped redundancies and redeployment.

The Managing Employees at Risk of Redundancy (MEARR) policy has been reviewed with the participation of trade unions in each of the previous two years and suitably amended to ensure that it is still fit for purpose. It is to be reviewed again in anticipation of more compulsory redundancies as the required budget savings significantly increase.

Informal consultation has been held with groupings of managers over the past few months by the independent consultant from WME on the need to create a new organisational structure within the context of achieving a significant level of savings. A number of managers have provided their views on future structure as part of this engagement with the employees likely to be directly affected by the restructure. Formal consultation will take place on the proposals if approved by Cabinet.

**Barriers to access:**

All employees at risk of compulsory redundancy are offered the same provisions such as access for 12 weeks to the redeployment register, trial placements if appropriate and access to redundancy bumping information so a possible alternative post(s) can be identified. Severance payments are made to employees with two years or more continuous service where the Council is unable to find a suitable and appropriate alternative post. LGPS regulations enable anyone aged 55 or over (with at least two years membership of the LGPS) to access their pension without any reduction where the employee has been made redundant.

**Information about the borough e.g. Census data:**

Not applicable

**Background or comparative information:**

Data has been gathered in relation to the workforce profile of the group of managers who are paid on grade 14 or above and this has been used where relevant in this equality impact assessment. Where relevant comparison has been made with the Council's whole workforce statistics using the Corporate Workforce Information Dataset 2013/14 (end of year report) provided by Human Resources and Organisational Development. Data also supplied by them relating to employees from recent budget reduction programmes has also been analysed.

**What evidence is missing? What will be done to collect it?**

Certain protected characteristics have missing data. This relates to religion/belief, transgender and sexual orientation where there are very low response rates or data is not recorded. The responses to any surveys including these characteristics are very much a matter of personal decision on the part of individual employees and privacy and confidentiality must be fully respected.

Provide details of the analysis completed on the information presented at stage 1 above, identify patterns or trends and compare with other authorities, national research, census data, etc.

**Overall numbers:**

The specific and immediate proposals around current Director and Assistant Director posts within the restructuring report cover 22 employees which represents 0.33% of the Council's workforce (excluding schools). The proposals on the restructuring will see the size of this group reduce by 50% to a figure of 11 new posts designated as Strategic Directors and Chief Officers.

The total number of managers who are potentially affected by the longer term proposals to also restructure 4<sup>TH</sup> tier management is 87 which represents 1.32 % of the Council's workforce (excluding schools). The intention is to achieve a reduction through further detailed proposals to a figure of around 71 posts.

**Age:**

1,488 employees (23% of the Council's non schools workforce) are aged 55 or over although there is a much higher percentage figure (44%) when those on management grades 14 and above are considered.

The age profile of those applying for voluntary redundancy in the 2013/14 budget savings round has seen a higher proportion of applications from employees aged 55 and above than the workforce as a whole. 73% of VR approvals in 2013/14 were for employees aged 55 and above and is most certainly a reflection of the ability of this age group to be able to access pension benefits. It is important that any VR decisions are taken on the basis of the business case for the redundancy and not on the basis of age.

**Disability:**

The 2013/14 budget savings process saw a slightly higher proportion of disabled employees applying for VR. 5.2% of employees with a disability applied for VR compared with the 3.2 % figure that employees with a disability are as a percentage of the total workforce.

The higher proportion of applicants from the disability group may well be related to age as 63% of the applicants were aged 55 and over with an ability to access pension.

9% of the current management group paid on grade 14 or higher has declared a disability and this may well reflect the older age profile of this group.

### **Religion**

Again it is difficult to assess any potential adverse impacts on this group due to the fact that even in the wider staffing reduction programme in 2013/14 nearly 50% of VR applicants did not disclose their religion or belief. A non declaration figure of 35% was also recorded for employees considered at risk of redundancy. Given the smaller numbers of employees concerned with the proposed management restructure and the typical response rates for this protected employee characteristic it is not possible to estimate any adverse equality impacts.

### **Ethnicity**

Overall BME groupings make up 9.0% of the Council's total workforce (excluding schools). The management profile on the issue of ethnicity is very similar to that of the total workforce with 91% coming from a White/White British background and very small numbers are involved in the management group to identify any specific adverse impacts.

On a wider scale the 2013/14 budget reduction programme saw a proportionally lower number of BME employees applying for VR (at 1.9%). The approval rate for VR applications was broadly comparable across the two broad groups (BME and White British) with a slightly higher % for BME applicants (at 14.3% of applicants) compared with White applicants (11.7%).

### **Gender**

46 men are potentially directly affected by the senior management restructuring proposals with 41 female managers within the cohort paid on management grades 14 or above. These proportions may mask variances within specific directorates such as higher proportions of females in Children's Services compared

with a higher male presence in Urban Environment.

There was in the 2013/14 budget reduction programme a higher proportion of males receiving a “no” response for VR when those employed on SCP 34 or above are looked at. 89% of male applications were rejected compared with 76% of female applicants for VR. This would appear to be explained by the need to justify any decisions to release staff on business grounds and the need to retain staff especially in Children’s and Adult Service areas

In the 2013/14 budget reduction programme concerned with the wider workforce there was slightly lower proportion of VR requests from females at 61.7% compared with that of the workforce at 64.6%. A greater proportion of male requests were declined basically on business case grounds and these tended to be in certain areas such as the Directorate of Urban Environment for example where there were four times the number of male applicants compared with female applicants.

To ensure that females are not indirectly discriminated against redundancy bumping the Council can take steps to actively look to find options for part time employees to redundancy bump a full time employee. The same considerations will also be given to any male employees although the only 20% of the Council’s male work force is part time compared with 61% of female employees working part time.

### **Stage 3 - assess the impact**

Does the policy or function/service have any potential adverse impacts on particular protected groups? If so explain what they are.

There is evidence to date on the implementation of redundancies among the Council’s workforce that any differences impacting on protected groups are in effect marginal so that no evidence of adverse impact can be drawn in advance of any implementation of the restructuring programme on the smaller management group of 87 employees.

The Council will continue to be vigilant in the application of its employment policies and procedures to the senior management restructure that no form of direct or indirect discrimination takes place in the way employees are either appointed to posts, designated at risk of redundancy and associated redeployment procedures or treated in the case of how VR applications are considered.

All the new management posts included in the revised structure will be exposed to an equality proofed Job Evaluation process independently undertaken by WME to ensure that internal relativities objectively reflect new roles with appropriate salaries that also take account of regional and national public sector job markets to help ensure that the Council can appoint and retain talented managers who can offer high quality professional leadership within a challenging local government environment. The JNC evaluation scheme will be used as it is a nationally recognised, sector specific scheme.

The senior management restructuring programme will also involve the drawing up of new job descriptions and person specifications which will be made available to all those within the relevant selection pools with the opportunity to comment on draft versions through individual consultation meetings with the Chief Executive and a senior HR representative of West Midlands Employers.

All the available posts 2<sup>nd</sup> and 3<sup>rd</sup> tier posts will be made available on a common set of terms and conditions, and there will be common terms and conditions for all 4<sup>th</sup> tier posts. Due regard will be paid to Statutory guidance such as for Public Health.

#### **Stage 4 - reasons for adverse impacts**

Outline the reasons identified for adverse impacts

No adverse impacts have been identified.

#### **Stage 5 - consider alternatives/mitigating actions**

How will any adverse impacts identified be reduced or removed? Explain if it is decided that an adverse impact is unavoidable.

The Council will continue to offer employees who are at risk the opportunity to apply for VR and will consider applications on a business case basis. Opportunities for redundancy bumping will also be fully considered to try and support employees at risk. Employees concerned will, however, need to demonstrate an acceptable match to the relevant post(s) in order to ensure that the area of work or function is managed by a suitable employee.

The Council will continue to offer its current redundancy scheme. The Council will also continue to ask for expressions of interest in voluntary reductions in hours and flexible working and these will be considered on a business need basis and the circumstances of the employee concerned.

Redeployment Policy also offers a chance to try and maintain employment with the Council. The Council has extended the time allowed for all employees to be on the redeployment register with the ability to have redeployee status when their current post is declared "at risk of redundancy ". The redeployment policy prevents assimilation into a higher graded post and for this restructure where grades do not currently exist grade has been interpreted as salary.

A redeployee will have support in terms of help with his/her CV, assistance with identifying suitable job opportunities and preparation for interviews. The redeployee and any employee facing the risk of redundancy will also have the ability to access the Council's "Facing the Future" programme which offers support on a range of matters such as career planning, financial planning, life planning and training.

Any employees with a disability will be assisted through the application of reasonable adjustments in the appointment process whilst any employees on maternity, paternity or adoption leave as well as on long term sickness will be kept fully informed of vacancies and potential redeployment opportunities.

Employee counselling is available through Children's Services and is actively promoted to support any employee involved in the restructuring process. The "Facing the Future" programme also offers emotional support to employees at risk of redundancy.

The Council will continue to be vigilant in the application of its employment policies and procedures to the senior management restructure that no form of direct or indirect discrimination takes place.

Any decisions on appointment to posts will be made on the basis of the respective match of the applicant(s) to the person specification developed from the advertised job description and an interview by the Appointments Committee for 2<sup>nd</sup> and 3<sup>rd</sup> tier posts.

#### **Stage 6 - test the changes**

Detail how the mitigating actions to reduce or remove the adverse impacts were tested, piloted or consulted on and the results of this.



The above measures around redeployment and application of VR will be applied to try and minimise the need to make compulsory redundancies. Previous experience of the previous budgetary and staffing reductions across the wider workforce has seen significant numbers of employees at risk of compulsory redundancy redeployed thereby minimising any adverse impacts on protected groupings of employees. There are, however, greater levels of challenge with identifying suitable redeployment opportunities at the higher managerial grades where specialist knowledge and/or experience may be required.

#### **Stage 7 – decision making**

Did the test, pilot or further consultation illustrate that the mitigating actions will be effective? What decision is recommended about the policy or service and why? How will the decision maker be briefed on the EIA?

Previous experience of operating the relevant employment policies has kept compulsory redundancies to relatively low numbers (56 in 2011/12, 83 in 2012/13) 20 in 2013/14 in comparison with the Council's total workforce of over 6800 employees (excluding schools). Sensitive and effective management of redeployment and VR policies managed to alleviate any initial concerns that certain protected groups (BME and Disability) might be adversely affected.

The same considerations will apply to the operation of VR and redeployment policies within the implementation of senior management restructuring although it is likely that there will be a greater level of challenge in minimising adverse impacts due to the smaller number of posts involved with less opportunities to redeploy any displaced managers.

#### **Stage 8 - monitoring arrangements**

How will the equality impact of the policy or service be monitored in the future?

The restructuring process will monitor the impacts on specific groups where possible although there will be limitations on data reporting due to the risk of personal identification when dealing with relatively small cohorts at the more senior management grades.

#### **Stage 9 – action planning**

Provide details of actions or improvements identified during the EIA.

The Council will need to continue to fully apply its key employment policies on recruitment and selection, redundancy, redeployment etc. to ensure that the process of restructuring senior management has no adverse impact on protected groups.

Date completed: 18<sup>th</sup> June 2014

Signed by assessment leader officer: David Johnson ( West Midlands Employers)

Signed by assistant director/ head of service:

*John Poyellis*

Date: 19.6.14

### Salary Scale 2013

Grade	SCP	Salary
1	5	12,435.00
	6	12,614.00
2	7	12,915.00
	8	13,321.00
	9	13,725.00
3	10	14,013.00
	11	14,880.00
	12	15,189.00
	13	15,598.00
4	14	15,882.00
	15	16,215.00
	16	16,604.00
	17	16,998.00
5	18	17,333.00
	19	17,980.00
	20	18,638.00
	21	19,317.00
6	22	19,817.00
	23	20,400.00
	24	21,067.00
	25	21,734.00
7	26	22,443.00
	27	23,188.00
	28	23,945.00
	29	24,892.00
8	30	25,727.00
	31	26,539.00
	32	27,323.00
	33	28,127.00
9	34	28,922.00
	35	29,528.00
	36	30,311.00
	37	31,160.00
10	38	32,072.00
	39	33,128.00
	40	33,998.00
	41	34,894.00
11	42	35,784.00
	43	36,676.00
	44	37,578.00
	45	38,422.00
12	46	39,351.00
	47	40,254.00
	48	41,148.00
	49	42,032.00
13	50	42,808.00
	51	43,859.00

	52	44,909.00
	53	45,982.00
14	54	47,184.00
	55	48,248.00
	56	49,307.00
	57	50,358.00
15	58	52,233.00
	59	54,120.00
	60	56,009.00
	61	57,896.00

Chief Executive	157,000
Director	104,604
Assistant Director	70,049
Treasurer	88,700

## **The general public sector equality duty**

The general public sector equality duty is set out in the Equality Act 2010 (the Act).

In summary, public authorities must, in the exercise of their functions, have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act,
- advance equality of opportunity between people who share a protected characteristic and those who do not., and
- foster good relations between people who share a protected characteristic and those who do not.

The Act explains that having due regard for advancing equality involves:

- removing or minimising disadvantages suffered by people due to their protected characteristics,
- taking steps to meet the needs of people from protected groups where these are different from the needs of other people, and
- encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

The Act states that meeting different needs involves taking steps to take account of disabled people's disabilities. It describes fostering good relations as tackling prejudice and promoting understanding between people from different groups. It states that compliance with the duty may involve treating some people more favourably than others.

Public authorities also need to have due regard to the need to eliminate unlawful discrimination against someone because of their marriage or civil partnership status. This means that the first arm of the duty applies to this characteristic but that the other arms (advancing equality and fostering good relations) do not apply.

## **Meeting of the Council – 13<sup>th</sup> October, 2014**

### **Report of the Cabinet**

#### **Tenant Involvement Arrangements**

##### **Purpose of Report**

1. To formally end the existing arrangements as structured through the Area Housing Panels.
2. To advise the Council of the changed involvement arrangements.
3. To approve the changed arrangements for expenditure of the Community and Environmental budget.

##### **Background**

4. Under the Localism Act 2011 responsibility for regulation of social housing passed to the Homes and Communities Agency and a new regulatory framework was introduced. All registered providers are required to meet the relevant standards.
5. A key aspect of the regulation is the tenant involvement and empowerment standard (in place from 1 April 2012) which states that: registered providers shall ensure that tenants are given a wide range of opportunities to influence and be involved in:-
  - (a) The formulation of their landlord's housing related policies and strategic priorities;
  - (b) The making of decisions about how housing related services are delivered, including the setting of service standards;
  - (c) The scrutiny of their landlord's performance and the making of recommendations to their landlord about how performance might be improved.

In Dudley we have established the Take Control project to work in partnership with tenants and residents to take empowerment to a new level. The aim is to ensure that services are accountable and contestable by tenants and residents in the Borough in order to achieve excellence in our housing services.

6. This work enhances the quality and scope of community engagement and involvement in the Borough and marks progress in our commitment to work in close partnership with tenants and residents.

7. A Tenant's Conference was held on 22nd September 2012 which was attended by over 80 people (both tenants and Elected Members). Tenants recognised the progress made through the Area Housing Panels along with the need to move even further on their journey to secure greater influence over the service they receive. The Dudley Federation of Tenants and Residents Association (DFTRA) involved as many tenants' representatives as possible to develop a new structure and approach which will include a Board and range of challenge groups.
8. The four priorities as identified by tenants and residents are:
  - Greater opportunity to influence decisions
  - The ability to scrutinise housing services
  - Have more involvement opportunities
  - To improve communication
9. Proposals for a new Tenants Board were put forward in January 2014 and appointments to the interim Board were made in June/July 2014. Membership includes tenants, residents, leaseholders with advisory support from the Cabinet Member and Shadow Cabinet Member for Housing and Community Safety and the Assistant Director of Housing Management. A comprehensive training programme has been devised and delivered alongside an ongoing development programme.
10. Copies of the Tenant structure and Road Map, which plots progress to date, have been placed in the Members Room and are complementary to this report.

### **Area Housing Panels**

11. The establishment of five Area Housing Panels with both Member and Tenant representation was approved by the Council's Executive on 6th June 2002 forming part of a report entitled 'Developing Dudley's Council Housing Service'.
12. The Area Housing Panels were established in the light of best practice from preparatory work for stock transfer around the devolution of control to service users.
13. Area Housing Panels have been successful in that they forged a partnership between Members and tenants to pro-actively monitor performance and influence change in service development.
14. The role of the Area Housing Panels was intended to be largely consultative with the intention over time of introducing a decision-making framework. The Area Housing Panels made recommendations in regard to expenditure of the community safety and environmental budget.
15. The intention is that the Area Panels will cease once the Tenants Board is in place and responsibilities transferred.

## **Finance**

16. The operating costs will be met from existing budgets within the Housing Revenue Account (HRA).
17. Following recommendations by the Tenant's Board, approval of the Community Safety and Environment budget will be obtained in accordance with Council processes.

## **Law**

18. Social housing tenants have the right to hold their landlord to account through the tenant scrutiny arrangements introduced in the Localism Act 2011.
19. By virtue of section 21 of the Housing Act 1985 the general management, regulation and control of its stock is vested in the Council.
20. Section 111 of the Local Government Act 1972 enables the Council to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its functions.

## **Equality Impact**

21. The new arrangement will have a clear regard to our duties under the Equalities Act 2010 and an initial assessment has been completed. A full assessment will be completed during the period of the interim board arrangements and impacts monitored throughout implementation.

## **Recommendation**

22. The Council is recommended:-
  - To approve the disestablishment of the Area Housing Panels.
  - To offer support to tenants in the development of a structure that will assist them in achieving their priorities as listed in paragraph 8 of this report.
  - To approve a transfer of responsibility from the Area Housing Panels to the Tenants Board to make recommendation(s) relating to expenditure of the Community Safety and Environment budget.
  - That the Constitution and Terms of Reference of the Tenants Board, as set out in the Appendix, be approved.



.....  
**Leader of the Council**



## Appendix - Dudley MBC

### Dudley Housing Board Constitution

#### Terms of Reference

1. The purpose of Board is for the benefit of all in Dudley, to improve decision making and provide challenge in Housing Services
2. Objectives
  - a. To represent tenants, residents and leaseholders, to ensure that the council provides housing services that meets residents needs and are of the highest standard
  - b. To operate in the interests of the whole Borough and not as individuals or areas
  - c. To continually review and improve housing services
  - d. To provide an opportunity for tenants and residents to examine housing service's performance and procedures
  - e. To challenge and question staff who manage and deliver the service
  - f. Make recommendations to senior managers and Lead Member on how housing services can be improved
  - g. Recommend the discretionary element of community safety and environmental budget for implementation by the Assistant Director of Housing Services
  - h. To commission and receive Service Reviews and reports from Theme Groups
  - i. To receive and comment on key strategic policies including:
    - i. Divisional Plan,
    - ii. Housing Strategy,
    - iii. Housing Revenue Account
  - j. The Board will not cover the following:
    - i. Operations staffing (although strategic reviews of staffing structures will be referred to the Board),
    - ii. Procurement decisions (where staff are already delegated to take decisions),
    - iii. Individual cases (which are best handled through other mechanisms)
3. Membership and Quorum
  - a. The membership is 13 comprising 11 Community Representatives and 2 co-opted places.
  - b. In attendance as observers with speaking rights will be the Cabinet Member for Housing along with one representative from each political group.

- c. Membership includes 11 Community Representatives. Within these 11 places there are 6 places reserved for tenants, 2 for residents and 1 for a leaseholder.
- d. No staff or councillor to be eligible as a Community Representative.
- e. The appointment of the Community Representatives is through a selective process including a person specification, interview and assessment. Within the criteria for selection will be an acknowledgement of ensuring a representative membership in terms of geographical coverage and diversity. Decision on appointments will be made by an Interview Panel made up of a Council Officer and a DFTRA Officer with the option of an external advisor. The Interview Panel will submit a report with recommendations to the Cabinet Member for Housing for approval copied to DFTRA and the Board.
- f. In the event that there are more suitable candidates than places then suitable candidates who are not placed on the Panel can become reserves with the ability of the Board to bring them onto the Board in the event of a vacancy.
- g. Membership also includes 2 co-opted places. The two co-opted places will be staff nominated by the Assistant Director of Housing Services. The Assistant Director will also act as an advisor to the Board.
- h. Community Representative membership is for 3 years with renewal for a further three years based on assessment of performance in the role by the Interview Panel. Maximum term of six years.
- i. Failure to attend three meetings of the Board shall result in immediate removal from the Board.
- j. Quorum is 7

#### 4. Operation of the Board

- a. Voting shall be by a simple majority of the Board although the Chair will seek consensus on all decisions. The Chair of the meeting shall have a casting vote.
- b. Election of Chair and Vice Chair. These shall be Community Representatives. The Chair will have delegated authority to act on behalf of the Board between meetings (and the Vice Chair on their behalf in the absence of the Chair) and will report back to the Board about all decisions taken under delegated authority.
- c. Frequency of meetings – meeting will be held at least four times per year. Meetings will not to take place during election purdah.
- d. Access to Information. An information sharing protocol will be prepared and agreed.
  - i. This should cover the ability to request information for the Board and Service Reviews
  - ii. That staff will respond promptly to requests for information and explain if there are delays in providing information

- iii. The Board can commission reports (which are appropriate in scale and the role of the Board)
- iv. The Board will respect confidentiality in all its work and abide by Dudley procedures on the Data Protection Act and related legislation

#### 5. Monitoring of Performance

- a. The Board will receive quarterly updates and reports on the following:
  - i. Key Performance Indicators
  - ii. Satisfaction data
  - iii. Complaints and feedback
  - iv. Value for money
  - v. Risk Register
- b. The Board will use this information to identify topics for Service Review
- c. The Board is able to request the format in which it receives reports

#### 6. Service Reviews

- a. The Board will commission Service Reviews and appoint 5 representatives from the Board to carry out Service Reviews including a Lead Representative. In identifying topics the Board will have regard to the views of the Management Team and Internal Audit to ensure reviews are timely and appropriate. The Board can also invite other tenants, residents and leaseholders to be co-opted onto Service Review Teams.
- b. Dudley MBC will support these reviews through a lead Policy Officer, with responsibility for the service area under review, and a support Officer with responsibility for servicing the Service Review. Dudley MBC may also ensure external advice as needed to support Service Reviews.
- c. Service Review Teams will agree Objectives, Methods and Questions at the beginning of each Review and agree all activities with the lead Policy and Support officers
- d. Service Reviews will have regard to existing customer groups in the area being investigated.
- e. Service Reviews will conclude their work by discussing their draft findings with the lead Policy Officer and then submitting their draft report to the Assistant Director of Housing Services. This will be discussed with the Assistant Director and a final version of the report agreed. The Assistant Director will also ensure there is an agreed Action Plan.
- f. Service Reviews will report to the Board in the form of a Report with recommendations plus the agreed Action Plan.
- g. In the event of a disagreement the Board will consider both the Report and the Directors response.

- h. The Board will consider the Report and respond to its recommendations.
- i. The Board may also set up Working Groups which will work cooperatively with staff and report to the Board.

#### 7. Work Programme

- a. The Board will develop and agree an annual rolling Work Plan to set out the work programme of the Board and to fit in with the Dudley MBC business planning cycle
- b. In developing the Work Plan the Board will take account of Dudley MBC policies and plans, including the Divisional Plan, Internal Audit programme and the Council's own scrutiny programme.

#### 8. Support for the Board

- a. Support for the Board will come primarily through the Participation Development Team
- b. Board members will be provided with the loan of a laptop/iPad and internet access subject to signing a Guardianship form and training on how best to use these
- c. Board members will be able to claim expenses for travel and subsistence incurred in their activity for the Board in line with Council policies and procedures
- d. The Board will be provided with venue, minutes and papers sent in advance 5 working days before a Board meeting
- e. A budget will be established to support the operation of the Board
- f. Training will be provided for all members and attendance is an important part of membership of the Board (including the annual review of the Board and its members). Content will be informed by an annual skills audit. This may include on-line training provided by the Council
- g. The Board will be able to access any mystery shopping/tenant inspectors set up by the Council
- h. The Board will be able to access external advice

#### 9. Code of Conduct

- a. All Board Members must agree to abide by the Terms of Reference and Code of Conduct
- b. All Board Members must operate in the interests of the whole Borough and not as individuals or areas
- c. Code of Conduct based partly on existing Code of Conduct for Tenant Group and includes:
  - i. General conduct including acting on behalf of all residents and not for personal gain
  - ii. Conduct of meetings
  - iii. Discrimination

- iv. Confidentiality
- v. Political Affiliation
- vi. Conflicts of Interest
- vii. Use of IT equipment
- viii. Breach of the Code of Conduct

#### 10. Accountability

- a. The Board operates within an elected Council with defined responsibilities for the Council, Cabinet and Cabinet Members.
- b. All decisions relating to major financial or policy matters rest with the Cabinet Member for Housing, Cabinet and Council. The Board will inform and advise the Cabinet Member on these matters
- c. When making recommendations on allocation of the discretionary elements of community based safety and environmental improvement budgets the Board will be aware of safeguards that support decision-making and take note of all legal advice, be aware of political sensitivities and respect the governance framework of the Council.
- d. There will be an Annual Review of effectiveness of the Board and its members including views from Board members, councillors, staff and tenants who engage with the Board, attendance at meetings and training events and capturing the impact of the Board.
- e. In the event of a dispute between a recommendation of the Board and the Cabinet Member for Housing, the Chair of the Board shall meet with the Cabinet Member, advised by the Assistant Director of Housing, to discuss the matter and understand the reason for the dispute.

#### 11. Communication

- a. Details of membership of the Board will be made available on the website
- b. All minutes of the Board (excepting any confidential information) shall be published on the website
- c. All Service Reviews and agreed Action Plans shall be published on the website
- d. There will be an Annual Report of the Board
- e. Quarterly summaries of the work of the Board will be published in Home Affairs and in staff bulletins and made available to tenants, the wider public and stakeholders
- f. Councillors shall be kept informed on the activity and outcomes of the Board
- g. To abide by the Media Protocol when considering contacting the press

## 12. Partnership Working

- a. The Board will be aware of the wider work of Dudley Council such as the Quality of Life Standards pilot and the opportunity to engage with such approaches to support the work of the Board
- b. The Board will invite DFTRA to attend all meetings as observers and maintain a respectful relationship with them
- c. The Board will be aware of the work of the Council's own scrutiny structures and engage with them as appropriate.

13. These Terms of Reference will be reviewed annually to ensure they meet the purpose of the Board. The Cabinet Member for Housing will approve any necessary amendments under delegated powers.

## 14. Closure of the Board

- a. That in the event of the Council deciding to close the Board that closure will take place immediately

## Annex 1

### a. Interim Board Objective

- i. To agree the functions of the Board, such as its constitution, formal application process for membership and code of conduct, in preparation for formal implementation in April 2015
- ii. To consider options for the Community Safety and Environmental budget for April 2015 onwards
- iii. To monitor the discretionary element of the Community Safety and Environmental Budget
- iv. To consider at which point Board meetings should become open to the public

## Annex 2 Information Sharing Protocol

## **Meeting of the Council – 13<sup>th</sup> October, 2014**

### **Report of the Audit and Standards Committee**

#### **Treasury Management**

##### **Purpose of Report**

1. To outline treasury activity during the financial year 2013/14 and in the current financial year up to August.

##### **Background**

2. The Treasury Management strategy for 2014/15 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011. The Code recommends that members are informed of Treasury Management activities at least twice a year. This report ensures that the Council is embracing best practice in accordance with CIPFA's recommendations.
3. Treasury Management entails the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.
4. The Council undertakes treasury management activity on its own behalf and as administering authority for the West Midlands Debt Administration Fund (WMDAF). We are responsible for administering capital funding of approximately £765m on our own account and another £172m on behalf of other West Midlands councils in respect of the WMDAF. The treasury function is governed by the Council's Treasury Policy Statement and Treasury Management Practices.

##### **Treasury activity in 2013/14 on the Dudley fund**

5. Our treasury activities were undertaken in the context of the Treasury Strategy Statement 2013/14 approved by Audit Committee and Full Council in February 2013. The Strategy Statement stated:

*“The primary factor in determining whether we undertake new long-term borrowing will be cash flow need. We may elect to borrow one or two years in advance of anticipated need if we judge that this is necessary in order to avoid being forced to borrow at higher rates at a later date”*

6. In 2013/14 our investments averaged around £36.4 million (with significant day to day variation as a result of cash flow). The average return on these investments was 0.51%. The majority of our investments were for less than one month or were in call accounts<sup>1</sup>. All investments were placed with institutions that satisfied the criteria for credit-worthiness set out in the Treasury Strategy Statement 2013/14. Our investment activity for 2013/14 is set out in more detail in Appendix 1.
7. The average value of long-term borrowings in 2013/14 was £540 million. The average rate of interest on these borrowings was 4.13%. The loans were due to mature on dates ranging from 2014 to 2061. The rate for a 50-year maturity loan from the Public Works Loan Board (PWLB) has fluctuated in 2013/14 between 4.04% and 4.71%. The Council qualifies for borrowing at the PWLB's "certainty rate" which is 0.2% below the standard rates. In addition the "Project Rate" which is set at 0.4% below standard rate, is available for approved single projects identified by Local Enterprise Partnerships (LEPs).
8. In the light of these rates, together with forecasts for future rates and the availability of investment balances to meet cash flow, we did not enter into any new long-term borrowing during the year.
9. Due to cashflow requirements in the second half of 2013/14, it was necessary to undertake short term borrowing on 14 occasions at an average value of £2.8 million at 0.36% for an average duration of 9 days. Daily cashflow was managed by the use of call accounts.

#### Treasury activity in 2013/14 on the WMDAF

10. Our borrowing activities in 2005/6 placed us in a position where it was not necessary to undertake any new longer-term borrowing in the financial years from 2006/7 to 2013/14. Having consulted with our treasury advisors at Arlingclose, we did not identify any opportunities to improve our position by restructuring of debt. It was necessary to undertake short term borrowing on 7 occasions at an average value of £3.4m million at 0.38% for an average duration of 56 days.

#### Performance comparisons 2013/14

11. We have compared our performance, both for Dudley and the WMDAF, with four of our neighbours in the West Midlands. Two of the neighbours did not send their performance data in time for this report. The results are summarised in the following table:

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<sup>1</sup> A call account is a deposit account with a financial institution without a fixed maturity date. The deposit can be "called" (withdrawn) at any time and deposits can also be made at any time. Call accounts and the specific terms associated with them differ depending upon the bank offering the account.



## West Midlands performance comparisons 2013/14

	Dudley	WMDAF	West Midlands average
<b>Gross average borrowing rate</b> (the cost of borrowing, ignoring the return on investments)	4.16%	6.36%	4.75%
<b>Investment return rate</b> (the return on investments, ignoring the cost of borrowing)	0.52%	0.37%	0.79%
<b>Net average borrowing rate</b> (a combination of the above, representing the cost of borrowing net of the return on investments)	4.42%	6.38%	6.05%
<b>Lender's Option Borrower's Option (LOBO)<sup>2</sup> loans as a proportion of all borrowing</b>	2%	5%	15%

12. Our cost of borrowing in 2013/14 was lower than the average and the return on our investments was lower than the average of our neighbours. We were less exposed than the average of our neighbours to the potential volatility of LOBO loans (see footnote). The cash flow position during the year constrained both our investment and borrowing activities and our policy on investments has been very cautious. The performance figures for the four other councils included in the performance comparisons are detailed individually in appendix 4 in an anonymised format.
13. In respect of the WMDAF we have been constrained by the statutory timetable for closure of the fund (March 2026) and have not been able to take advantage of very cheap long-term debt that has been available in recent years.
14. It should be remembered that treasury performance measurement is not an exact science. These statistics represent the cumulative effect of decisions dating back over many years and the performance of our neighbours may have been achieved in circumstances different from our own.

### Prudential indicators 2013/14

15. The 2003 Prudential Code for Capital Finance in Local Authorities sets out a framework for the consideration and approval of capital spending plans. In so doing, it requires the Council to set a number of prudential indicators, some of which concern matters of treasury management. Appendix 2 outlines those indicators for 2013/14. In all cases, actual outturn was within the targets and limits set by the Council.

<sup>2</sup> The lender has the option (at regular intervals stipulated in the loan agreement) to vary the rate of interest. The borrower then has the option to either accept the new interest rate or repay the loan.

### Treasury activity 2014/15 to August

16. Treasury activities in the current year have been undertaken in the context of the Treasury Strategy Statement 2014/15 approved by Audit Committee and Full Council in February of this year. In that document we anticipated that long term borrowing would be required in the next 12 months due to cash flow need.
17. Our investments up to the end of August have averaged around £20.7 million (with significant day to day variation as a result of cash flow). The average return on these investments was 0.62%. All investments were placed with institutions that satisfied the criteria for credit-worthiness set out in the Treasury Strategy Statement 2014/15. Our investment activity for 2014/15 is set out in more detail in Appendix 3.
18. The medium term outlook for interest rates appears to suggest a possible gradual rise in the Bank of England's record low base rate of 0.50% commencing at the end of 2014. Despite recent growth in the UK economy and unemployment falling to 6.4%, the Monetary Policy Committee's general view is that the economy is still not performing at its full potential, whilst wage and price inflation remain low. Therefore, the base rate is likely to remain close to its historic low, and so there is little prospect of a substantial improvement in investment yields this financial year.
19. The average value of long-term borrowings up to the end of August has been £536.0 million. The average rate of interest on Dudley's loans is 4.10%. The maturity dates for the loans range from the current year to 2061. It has not as yet been necessary to undertake any new long-term borrowing in the current year, but we are monitoring interest rates and cash flow closely. We continue to anticipate that action may be required before the financial year end.
20. It has not been necessary to undertake any short-term borrowing in the current year to date. Daily cashflow has been managed through the use of call accounts
21. There has been no change to the position on the WMDAF.

### Review of investment strategy

22. The Council's investment strategy, which is set out in the Treasury Strategy Statement 2014/15 and is summarised in Appendix 5 to this report, has been largely unchanged for a number of years. Recent and ongoing legislative changes have prompted a review of this strategy.
23. The Council's existing strategy has been based on investing only in UK financial institutions with a very high credit rating and on the implicit assumption that the UK Government would support these institutions in the event of a major failure. As a result, investments have been concentrated in a very short list of very strongly supported financial institutions (currently five banks and building societies). The strategy has also allowed investments in UK local authorities and in the UK Government's Debt Management Office (DMO) whenever it has not been possible to invest in one of the named financial institutions. The DMO tends to give a lower return than banks, reflecting the lower risk.

24. In order to comply with recommendations from the Independent Commission on Banking and the European Union's Bank Recovery and Resolution Directive, the UK Government has legislated through the Financial Services (Banking Reform) Act 2013 to change the basis on which failing banks will be supported in the future. Secondary legislation, laying out the new arrangements in more detail, is due to be enacted shortly following a period of consultation earlier in the year.
25. The proposed new regulations are complex but in essence, if a bank gets into financial trouble in future, the level of financial assistance that the Government can provide will be severely limited. Losses will in the first instance fall on bank shareholders and bondholders. However, in more serious failures, an element of the losses could fall on institutional investors such as local authorities. In the worst case scenario a local authority could lose all of its investments with a failing institution (albeit this is very unlikely when dealing with a bank of very high credit quality).
26. In order to mitigate the slightly increased risk, we will continue with our existing policy of minimising the level of investments that we hold. This has been, and will continue to be, achieved in the main by delaying any decision to borrow until cash flow dictates and also by electing to pay employer's superannuation contributions in a single annual instalment in exchange for a reduction in those contributions. During the period from April to August of 2013, the average level of investments held by the Council was £62m. During the same period this year, the average level of investments has been £21m. Based on seasonal trends, the level of investments (and therefore the risk) is likely to be significantly lower for the rest of this financial year and into next year.
27. In light of the position set out above, Appendix 5 sets out a number of proposed amendments to the investment strategy. These amendments reflect a reduced level of reliance on government support and will ensure that exposure to a single financial institution has an absolute limit of £5 million at any one time. As there are only five banks and building societies who currently meet our investment criteria, any cash over £25 million will only be invested with other local authorities or the UK Government via the DMO. Given the cash flow position set out above, the actual level of investments will normally be below this level. However, there may be occasional "spikes" in the level of cash that we hold and the proposed changes are to protect us on those occasions. The strategy will be kept under review and, if necessary, any further proposed amendments will be brought back to this committee and Full Council for approval.
28. The investment strategy will continue to recognise that credit ratings are good but not perfect predictors of investment default. Full regard will therefore also be given to other information on the credit quality of the institutions in which the Council invests (e.g. credit default swap prices, financial statements, the financial press and advice from our treasury advisors Arlingclose). No investments will be made with an institution if there are substantive doubts about its credit quality even if it meets the credit rating criteria.
29. The Audit and Standards Committee at its meeting held on 18<sup>th</sup> September, 2014, considered this matter and agreed the recommendation set out in paragraph 33 below.

## **Finance**

30. Forecasts of performance against budget for treasury management activities are highly sensitive to movements in cash flow and interest rates.

## **Law**

31. These matters are governed by Part IV of the Local Government and Housing Act 1989 and Section 111 of the Local Government Act 1972, which empowers the Council to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its various statutory functions.

## **Equality Impact**

32. The treasury management activities considered in this report have no direct impact on issues of equality.

## **Recommendations**

33. That the Council:
- notes the treasury activities outlined in this report;
  - approves the amendments to the Council's investment strategy as detailed in Appendix 5.



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**Chair of the Audit and Standards Committee**

## **List of Background Papers**

- Treasury Policy Statement, Treasury Management Practices and Schedules to the Treasury Management Practices.

**Investment Activity 2013/14**

<b>Counterparty name</b>	<b>Number of investments</b>	<b>Average value £ million</b>	<b>Average rate %</b>	<b>Average duration (days)</b>
Barclays Treasury Direct	22	6.22	0.36	23
Debt Management Office	42	5.59	0.25	12
Nationwide Building Society	14	6.53	0.38	31
Bank of Scotland Call Account	N/A	9.88	0.43	Call
Santander	N/A	1.08	0.40	Call
Nat West	N/A	0.01	0.51	Call
HSBC	N/A	6.59	0.32	Call
Salford MDC*	1	0.50	11.25	Matures in 2020

This is a fixed term deposit of £500,000.00 with Salford MDC at an interest rate of 11.25% that was made in 1985 and is due to mature in 2020.

**Prudential indicators relating to treasury management 2013/14****External debt**

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The authorised limit for external debt is a statutory limit (section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The operational boundary is a lower threshold allowing for a prudent but not worst case scenario for cash flow.

	<b>£m</b>
Authorised limit for external borrowing	951
Operational boundary for external borrowing	819
Outturn - actual maximum external borrowing	736

**CIPFA Code of Practice for Treasury Management in the Public Service**

The Council adopted the Revised CIPFA Treasury Management in the Public Services Code of Practice in February 2010.

**Interest rate exposures and maturity structure of borrowing and investments**

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

	<b>Indicator</b>	<b>Outturn</b>
Upper limit for fixed interest rate exposure	100%	98.2%
Upper limit for variable rate exposure	10%	1.8%
Upper limit of principal maturing in any one year for sums invested for over 364 days	£10m	nil
Maturity structure of fixed rate borrowing:-		
under 12 months	0-10%	1.3%
12 months and within 24 months	0-10%	1.7%
24 months and within 5 years	0-15%	6.4%
5 years and within 10 years	0-25%	16.1%
10 years and above	40-100%	74.5%

**Investment Activity 2014/15 to August**

<b>Counterparty name</b>	<b>Number of investments</b>	<b>Average value £ million</b>	<b>Average rate %</b>	<b>Average duration (days)</b>
Barclays Treasury Direct	4	1.77	0.34	15
Debt Management Office	13	2.87	0.25	10
Nationwide Building Society	1	1.06	0.42	31
Barclays	1	0.814	0.28	22
Bank of Scotland Call Account	N/A	5.50	0.40	N/A
HSBC	N/A	3.05	0.32	N/A
Santander	N/A	5.12	0.40	N/A
Salford MDC*	1	0.50	11.25	Matures in 2020

\*This is a fixed term deposit of £500,000.00 with Salford MDC at an interest rate of 11.25% that was made in 1985 and is due to mature in 2020.

## West Midlands performance comparisons 2013/14

	Council					
	Dudley	WMDAF	A	B	C	D
<b>Gross average borrowing rate</b> (the cost of borrowing, ignoring the return on investments)	4.16%	6.36%	4.83%	4.27%	4.32%	4.54%
<b>Investment return rate</b> (the return on investments, ignoring the cost of borrowing)	0.52%	0.37%	1.66%	0.45%	0.46%	1.29%
<b>Net average borrowing rate</b> (a combination of the above, representing the cost of borrowing net of the return on investments)	4.42%	6.38%	4.95%	4.50%	5.53%	10.54%
<b>Lender's Option Borrower's Option (LOBO) loans as a proportion of all borrowing</b>	2%	5%	0%	18%	16%	53%



## Investment Strategy

	<b>Current Strategy</b>	<b>Comments</b>	<b>Proposed Strategy</b>
1	Investments are allowed for up to <u>1 month</u> in institutions with a minimum short term credit rating of F1 (Fitch), A1 (Standard and Poors), or P1 (Moody's) and a support rating of 1 from Fitch.	These are the second highest short term credit ratings for Fitch and Standard & Poor, and the highest for Moodys which does not have a P1+ rating. The support rating (Fitch) reflects the likelihood of government support and is no longer relevant under the Financial Services (Banking Reform) Act 2013 and proposed regulations.	Investments are allowed for up to <u>1 month</u> in institutions with a minimum short term credit rating of F1 (Fitch), A1 (Standard and Poors), or P1 (Moody's).
2	Investments are allowed for up to <u>3 months</u> in institutions with the highest short term credit ratings i.e. F1+ (Fitch), A1+ (Standard and Poors), P1 (Moody's), and a support rating of 1 from Fitch.	To only invest in the most credit-worthy banks for investments longer than a month. As above, the support rating is no longer relevant.	Investments are allowed for up to <u>3 months</u> in banks with the highest short term credit ratings i.e. F1+ (Fitch), A1+ (Standard and Poors), P1 (Moody's).
3	Investments with a single institution or group of banks should not exceed 20% of the total pool of investments or £5million (whichever is greater) at the time the investment is made.	This limits the Council's exposure to a bank default. An absolute limit for all institutions (other than the UK Government) limits the potential loss to £5m in case of a bank default. As there are currently five private sector counterparties who meet our criteria*, the maximum cash allowed to be invested in private sector institutions would be £25m. Cash flow forecasts indicate that investments will normally be below this level.	Investments with a single institution or group of banks should not exceed £5m at any time.
4	Element 3 of the strategy above applies to investments with other UK local authorities.	This limits the Council's exposure to a single local authority. Note that in the event of Scottish independence, local authorities in Scotland would become ineligible counterparties for investment under this criterion.	No change.

	<b>Current Strategy</b>	<b>Comments</b>	<b>Proposed Strategy</b>
5	No upper limit on the value of investments with the Debt Management Office (UK government)	All surplus cash which cannot be invested with private sector institutions or other local authorities would be deposited at the Debt Management Office. Investments with the UK Government are deemed to be the lowest level of risk.	No change.
6	Investments are not allowed in non-UK institutions	The existing strategy is based on the implicit assumption that the UK Government would support a failing UK bank. This factor is less relevant in light of the Financial Services (Banking Reform) Act 2013 and proposed regulations. That said, current cash flow predictions do not suggest that there is any compelling need to widen the investment strategy to non-UK institutions and so there is no proposal to change. The strategy will be kept under review in light of cash flow movements, changes in bank credit ratings and any impact in the event of Scottish independence.	No change.

\*Current list of counterparties:

HSBC plc

Barclays

Nationwide

Bank of Scotland (Lloyds)

Santander