

Final Report

March 2008



Appointment of Chief Executive at Rochdale Boroughwide Housing

Rochdale Metropolitan Borough Council and Rochdale Boroughwide Housing

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

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Summary report

Introduction

- 1 This report sets out the results of a governance investigation undertaken at the request of Rochdale Council ('the Council') under section 35 of the Audit Commission Act 1998. The Council and the Board of Rochdale Boroughwide Housing ('the Board') agreed to the study and jointly specified what should be examined in the terms of reference (Appendix 1). Rochdale Boroughwide Housing is an Arms Length Management Organisation ('ALMO') set up by the Council with the approval of the Secretary of State.
- 2 The aim of section 35 of the Audit Commission Act 1998 is to promote improvement in the economy, efficiency and effectiveness of public services.

Background

- 3 The Board approved the early retirements of the Managing Director and Operations Director - subject to funding by the Council - at its meeting in December 2006. Subsequently, the Council approved the early retirements under the terms and conditions of the local government pension scheme. The Council provided funds to pay for the early retirements under the terms of the Management Agreement between the Council and Rochdale Boroughwide Housing.
- 4 The Board agreed at its meeting in January 2007 to delegate the appointment of a new Managing Director to a joint panel. The post was renamed Chief Executive and the competencies sought were widened. In particular, the Council's Executive Director (Resources) - the Council's Representative under the Management Agreement - articulated the wish of the Council that the Chief Executive of Rochdale Boroughwide Housing should become a member of the Council's Executive Leadership Team. This would help to lead Rochdale Boroughwide Housing into more of a strategic partnership with the Council.
- 5 A recruitment and appointment process was commenced with a panel of eight consisting of four councillors and four representatives of the Board. It was agreed that the panel should reach unanimity to make an appointment. After an assessment centre and interviews the panel was split four/four in opinion over two candidates and unable to reach agreement to make an appointment.
- 6 A second recruitment and appointment process was commenced and a professional recruitment search undertaken by consultants. After an assessment centre and interviews the panel was also split four/four in opinion over the two final candidates. However, this time - unlike the outcome of the first appointment process - the councillors all supported one candidate and the other panel members the other candidate.

- 7 The strengths and weaknesses of the candidates' interview performances were analysed by the panellists using the external consultants as facilitators. Re-interviews were arranged to test the two remaining candidates further and make an appointment.
- 8 In the interregnum the Chair of the Board ('the Chair') - who was also Chair of the panel - spoke to two Councillor members of the panel and the Council's Representative informally. It is alleged that what the Chair said during these discussions seriously compromised the appointment process. The re-interviews were suspended by the Council's Representative. After a meeting of the panel at which the actions of the Chair were discussed the appointment process ended on the grounds that an appointment could not be made. A written statement has been made by the Council's Representative. Recently we have been informed that an investigation of the Chair's actions under the Board's disciplinary process was been undertaken and concluded.

Investigation approach

- 9 Our governance investigation consisted of two main activities: structured interviews and reviewing documents. The Council and Rochdale Boroughwide Housing each produced lists of people it was felt could provide pertinent information. We undertook twenty six interviews. We also examined a large number of documents supplied to us: agenda, minutes, reports, constitutional and governance documentation, Management Agreement, appointment process papers, correspondence, emails, statements and other background information. This final report sets out our findings, conclusions and recommendations after considering representations and comments from the Council, the Board of Rochdale Boroughwide Housing and individual persons affected by the contents of the report.

Main conclusions

The early retirements of the Managing Director and Operations Director

- 10 In an ill-judged action, the Council's Executive Leadership Team initiated personal discussions with the Directors from Rochdale Boroughwide Housing about their future with no prior discussion and agreement with the Board. We think the act of approaching the Directors to have such discussions, including about the possibility of taking early retirement, was inappropriate and outside the terms of the Management Agreement.

- 11 Rochdale Boroughwide Housing is responsible for its staffing arrangements except that significant changes to the staffing structure require the approval of the Council's Representative. Members of the Board including the Chair were surprised by proposals brought forward from the Council's Executive Leadership Team for the early retirement of their Managing Director and Operations Director. This had the effect of undermining the Board in discharging its responsibilities and made it very difficult to consider any alternatives once the issue had been discussed with the Directors personally.

The recruitment and appointment processes

- 12 The design of the first and second recruitment and appointment processes were fit for purpose. The second was strengthened by the use of consultants at all stages and the greater involvement of the external advisor. The knowledge and experience of the panellists in making senior management appointments was high overall.
- 13 A serious breach in a candidate's confidentiality by person(s) unknown occurred in the first appointment process. This harmed the standing of Rochdale Boroughwide Housing during the recruitment search for the second appointment process. There was also a failure to ensure effective communication of outcomes and feedback with unsuccessful candidates during the first appointment process which would also be likely to harm the second appointment process.
- 14 We think that an important underpinning factor in the second appointment panel failing to be able to reach agreement - splitting four/four - is the different emphasis placed on the importance of two of the job competencies by the representatives of the Council and the Board:
- 'Executive Leadership Team and Local Government Knowledge and Experience'; and
 - 'Housing and Arms Length Management Organisation ('ALMO') Knowledge and Experience'.
- 15 We say this underpinned the failure to reach agreement because it is clear to us that the tenant and independent members of the Board have unresolved tensions with the Council. One tension is the extent to which the Chief Executive of Rochdale Boroughwide Housing will be controlled by the Executive Leadership Team. This is a symptom of a more fundamental tension about the perception of losing independence and autonomy to the Council. The question that tenant and independent Board members need answered is: what is the real length of the arm under the new Management Agreement?
- 16 In our opinion it was appropriate for the Council to have representation in the appointment process for the Chief Executive. The Council's approval is required if the Chief Executive is appointed as the Organisation's Representative under Clause 20.1 of the Management Agreement.

Role of the Chief Executive of Rochdale Boroughwide Housing

- 17 We believe that the role on the Executive Leadership Team offered to the Chief Executive of Rochdale Boroughwide Housing is genuinely concerned with developing the team gradually into a partnership board for the borough. The direction being taken fits with the strategic imperatives the Council faces as a local authority to provide well coordinated public services and regeneration in the Borough.
- 18 From the perspective of Rochdale Boroughwide Housing it is important to understand that the ALMO sector is in transition. As housing decency is achieved many ALMOs - Rochdale Boroughwide Housing included - are seeking new challenges and a wider remit to build on their successes to date and sustain their futures. It will be important for Rochdale Boroughwide Housing that its new Chief Executive has a sustained focus on developing the business.
- 19 Taking the last two points together we believe that it is possible, and important, for these key functions to be developed in a way that makes them mutually beneficial; not potentially seen as competing priorities.
- 20 We can see no genuine causes for significant disagreement at strategic or operational levels between the Council and the Board. The performance of Rochdale Boroughwide Housing appears good. More effort is needed to build mutual trust and confidence between the tenant and independent members of the Board and the Council. Wrongly formed perceptions are more of a problem than any substantive matters. Working out the role of the Chief Executive as a member of the Executive Leadership Team in more pragmatic detail will be helpful.

Conduct of the panellists and the Chair

- 21 We have been asked to examine the conduct of the panellists, the Chair, consultants and advisors in the first and second appointment processes. In our judgement there are two significant recurring problems that put at risk individual people and the Council and Rochdale Boroughwide Housing as organisations. The first is a failure to maintain appropriate confidentiality on some occasions. The second is discussion at meetings where on some occasions argument has led to statements or actions that have potentially breached codes of conduct.
- 22 The Board's disciplinary process was instigated and, we understand, concluded in relation to a complaint made against the Chair. The bases of the complaint are set out in a statement made by the Council's Representative. The complaint concerns the content of telephone discussions that the Chair held with the Council's Representative and two of the Councillors as members of the second appointments panel. The discussions in question took place in the interregnum between completing the first interviews and the arranged re-interviews of candidates during the second appointment process.

- 23 The telephone discussions may have been well motivated in encouraging the reaching of agreement using her position as Chair. Nonetheless, in our opinion the Chair made an error of judgement in contacting other panellists outside the formal process. She should not have done so before taking professional advice. The panellists concerned are knowledgeable and experienced in making appointments to senior positions. They were sensitive with good reason to the risk of compromising the appointment process by informal discussion and sharing information (including hearsay). The importance of maintaining confidentiality had also been emphasised to all panellists during the second appointment process.

The way forward

- 24 We have outlined in these conclusions, and even more in the detailed report that follows on, sensitive issues that are bound to affect working relationships and building mutual trust and confidence more broadly. The difficulties in working relationships caused the Council to look towards the terms of the Management Agreement and to consider formal actions. Formal actions - which are inevitably confrontational - do not really offer any substantive solution for problems in working relationships in a partnership that is and will continue to be longstanding. The most important points we can make are as follows.
- Mutual trust and confidence must be rebuilt between all parties.
 - There is a firm basis to do this because the underlying performance of Rochdale Boroughwide Housing in managing housing services appears to be good at present.
- 25 We set out next our recommendations and these are also included at relevant points in the detailed report that follows on.

Recommendations

- R1 In making all employee appointments but particularly when appointing a Chief Executive strict confidentiality should be maintained and:*
- *candidate information should only be given to the appointment panellists in controlled situations at formal meetings;*
 - *all information about candidates and their assessments - including informal notes prepared by appointment panellists - should be handed in and kept securely by the human resources staff at the end of formal meetings; and*
 - *appointment panellists should not discuss candidates' application information or performance in the appointments process outside the formal conducted meetings.*
- R2 In a joint panel process it is essential that responsibility for communicating with candidates at all stages is specified and clearly allocated to specific people. This will usually be people from human resources, advisors or consultants who can communicate and provide feedback within a professional framework.*

Recommendations
<p><i>R3 An appointment panel formed for the Chief Executive position should in future have a clear way of reaching a final decision about appointing a candidate when unanimity cannot be achieved. This should be agreed upon before the commencement of the appointment process taking into account professional human resources advice.</i></p>
<p><i>R4 The tensions that exist need to be resolved. In particular, tensions between the tenant and independent members of the Board and the Council over the role of the Chief Executive and the length of the arm under the Management Agreement should be resolved before a further recruitment and appointment process for this position takes place.</i></p>
<p><i>R5 To build mutual trust and confidence in the future role of the Chief Executive of Rochdale Boroughwide Housing a pragmatic approach could be adopted:</i></p> <ul style="list-style-type: none"> <i>• agree how much time the Chief Executive will be expected to spend on matters connected with the Executive Leadership Team;</i> <i>• agree how support to the Chief Executive will be provided to carry out this role with Rochdale Boroughwide Housing and the Council; and</i> <i>• agree accountability to the Board and the Council and the level of delegated authority in decision making to the Chief Executive when working with the Executive Leadership Team.</i>
<p><i>R6 The potential value of using external facilitation should be considered by the Board and the Council's Representative in relation to R4 and R5.</i></p>
<p><i>R7 The Chief Executive of Rochdale Boroughwide Housing should have a sustained focus on business development.</i></p>
<p><i>R8 The Council, its Executive Leadership Team and the Council's Representative should accept that the Board led by the Chair are always responsible under the Management Agreement for establishing staffing arrangements that ensure the due and proper performance of the services.</i></p>
<p><i>R9 The Council and the Council's Representative should raise significant concerns about staffing under the Management Agreement at the appropriate level within Rochdale Boroughwide Housing and in the case of Directors that is with the Chair, Vice Chair and the Board.</i></p>
<p><i>R10 When significant staffing issues are present that indicate a need to manage change under the Management Agreement, careful evaluation of all options available should be considered qualitatively and quantitatively by Rochdale Boroughwide Housing's Board and Directors and the Council's Representative in the first instance.</i></p>

Recommendations
<i>R11 When instituting a further appointment process for the position of Chief Executive, the Board should decide who sits on the appointments panel taking into account the views of the Council's Representative.</i>
<i>R12 Appointment Panellists should, as has happened so far, have an appropriate level of training, experience and professional support to make a senior management appointment to the post of Chief Executive.</i>
<i>R13 In making a further appointment to the post of Chief Executive the Board should consider carefully how support is provided to the Chair of the panel from within Rochdale Boroughwide Housing.</i>
<i>R14 An appointment panel formed for the Chief Executive position should in future have a clear remit for how panellists and candidates might interact or not interact at events such as an assessment centre when breaks and lunchtime occur and there is a potential opportunity to meet. This should be agreed upon before the commencement of the appointment process taking into account professional human resources advice.</i>
<i>R15 In Rochdale Boroughwide Housing the Board should consider including in its training programme and that of relevant Directors and other managers practical training in handling confidentiality.</i>
<i>R16 In the Council consideration should be given to including in the training programme for Councillors, relevant Directors and other managers practical training in handling confidentiality.</i>
<i>R17 The way forward in relation to appointing or not appointing an interim Chief Executive and the likely timing of a recruitment and appointment process for a permanent Chief Executive should be planned out by the Board.</i>
<i>R18 In relation to R17 the Board should consider the possible benefits and weigh the cost of a labour market survey to understand the state of opinion about Rochdale Boroughwide Housing as an employer.</i>
<i>R19 The Council should consider nominating representatives to the Board for longer than twelve months and on a staggered basis.</i>
<i>R20 The Board should re-establish its development programme - including Board member assessment and development - and take forward actively the findings, conclusions and recommendations in the Housing Quality Network report.</i>

Detailed report

First term of reference

'A review of the recruitment process and methodology used, to assess whether it was fit for purpose. This includes, but is not restricted to the size of the panel, consideration of the requirement for a unanimous decision, whether both organisations had a clear shared vision of the role of Chief Executive, the appropriateness of the brief given to the recruitment consultants and an evaluation of the long listing and short listing processes'.

Size and make up of the appointment panels

- 26 Made up of eight people, the two appointment panels were large but in our opinion fit for purpose. The size of the panels was driven by the preference for proportional political representation amongst the councillors. Panels of this size are sometimes used in public service appointment processes and elsewhere. Large panels are usually able to reach consensus and make appointments successfully but are not regarded professionally as representing best practice.
- 27 Important factors in making a successful appointment are the knowledge and experience of the panellists. In the case of the appointment panels here, the overall knowledge and experience of the panellists in making appointments to senior positions was high. The panellists also had access to a high standard of professional advice.

The use of external consultants in the recruitment and appointment processes

- 28 The evidence made available to us suggests the support commissioned from the consultants for the second recruitment and appointment process was appropriate for recruiting and appointing the Chief Executive. The first recruitment and appointment process would have been strengthened by the use of the external consultants throughout. The tasks undertaken by the consultants appear to have been carried out with the high level of professionalism expected.
- 29 In the second recruitment and appointment process the consultants were engaged from the start. They provided assistance in job specification, designing competencies, recruitment search, long listing, short listing, assessment centre design, assessment centre operation, candidate selection for interview, interview support and facilitating post interview panellist decision making.

- 30 In the first recruitment and appointment process the consultants were brought in to provide advice at a relatively late stage and their contribution was therefore limited. The number and calibre of candidature may have been improved by a professional recruitment search. The consultants assisted in designing and operating the assessment centre. With the consultants entering later in the first recruitment and appointment process, performance at the assessment centre was not measured to select candidates for final interview. Performance results were only used to provide contextual information about the candidates to the panellists before interviewing.

Overall review of the recruitment and appointment processes

- 31 The design of the first and second recruitment and appointment processes followed reasonably recognised good practice. In particular the assessment centres were undertaken with professional support from the consultants. The operation of the appointment and recruitment processes up to the events surrounding the discontinuation of the second appointment process - discussed later in the report - also followed good practice.
- 32 However, there were some significant failures in communicating with candidates and maintaining confidentiality. A breach of a candidate's confidentiality in the first appointment process harmed the reputation of Rochdale Boroughwide Housing as a potential employer amongst the professional housing management community during the time of the recruitment search for the second appointment process.
- 33 In the first recruitment and appointment process no recruitment search was used. The evaluation of candidates' applications to determine who should be put forward to the assessment centre was carried out by the Managing Director and the Council's Representative who acted as an advisor. The application forms were sent out for information to the panellists. The assessment centre provided contextual information about the candidates for the final interview stage. At the final interviews a presentation and structured questioning format was followed. A second external advisor - an experienced ALMO chief executive - was also available to support the panel in decision making together with the Council's Representative and consultants.
- 34 In the second recruitment and appointment process a professional recruitment search was conducted by the consultants. Panellists met and took closer involvement in reviewing candidates' applications. Recommendations to go forward to the assessment centre were made by the external advisor, Council's Representative and the consultants. The second assessment centre benefited from the full involvement of the consultants and advisors. The candidates' performances were compared to set standards and used to select the candidates to go forward for final interview. At the final interviews a presentation and structured questioning format was followed.

- 35 The Managing Director and Operations Director both retired on 30 April 2007. These retirements together with the internal candidature of directors restricted the availability of in-house advice from senior managers to the Chair and other panellists appointed by the Board. To compensate for this the external advisor appointed for the second recruitment and appointment process was remunerated. This enabled the external advisor, an experienced ALMO chief executive and former member of the Board, to be able to provide significantly more time and support than the external advisor in the first recruitment and appointment process.
- 36 A significant failure at the end of the first appointment process occurred when the outcome of the process, a decision not to appoint, was not communicated promptly and clearly to the candidates. During the delay the candidates interviewed were vulnerable to unnecessary stress, subject to speculation by third parties and there was a risk of compromising confidentiality about their performance through informal communication. We are also aware that candidates who were unsuccessful at earlier stages were not informed of this outcome and provided with feedback.
- 37 We have been made aware that in the first appointment process a very serious breach of confidentiality occurred. Some details of one candidate's application and unsuccessful progress were leaked to third parties. The candidate identified this failure personally by finding third parties discussing the candidate's unsuccessful application. The person(s) responsible for this information leaking have not been identified but obviously serious misconduct or at least insufficient professional care is involved.

Recommendations

R1 In making all employee appointments but particularly when appointing a Chief Executive strict confidentiality should be maintained and:

- *candidate information should only be given to the appointment panellists in controlled situations at formal meetings;*
- *all information about candidates and their assessments - including informal notes prepared by appointment panellists - should be handed in and kept securely by the human resources staff at the end of formal meetings; and*
- *appointment panellists should not discuss candidates' application information or performance in the appointments process outside the formal conducted meetings.*

R2 In a joint panel process it is essential that responsibility for communicating with candidates at all stages is specified and clearly allocated to specific people. This will usually be people from human resources, advisors or consultants who can communicate and provide feedback within a professional framework.

Unanimous decision

- 38 Requiring unanimity amongst an appointment panel of eight people appears daunting. However, experience shows that discussions at large appointment panels often do reach at least consensus. Here neither consensus nor unanimity was reached. In our opinion a significant underpinning problem - particularly with the second appointment panel - was that the panellists representing the perceived interests of the Council and the Board respectively were not in sufficient substantive agreement about the relative importance of two of the job competencies:
- 'Executive Leadership Team and Local Government Knowledge and Experience'; and
 - 'Housing and Arms Length Management Organisation ('ALMO') Knowledge and Experience'.
- 39 The different emphases contributed to differing opinion forming about the ability to appoint the final two candidates. The job competencies were drawn up and approved by the panellists after professional facilitation by the consultants at the start of the second appointment process. An appropriate methodology was followed. Nonetheless when real pressure to make an appointment was present we feel this forced out the different perceptions amongst the panellists.
- 40 These two competencies are really parallel work streams where the Chief Executive is expected to provide effective leadership of Rochdale Boroughwide Housing whilst also ensuring the Council's wider strategies are supported. Both these work streams are important to achieving success in the partnership with the Council under the new Management Agreement. The parallel works streams are also consistent with current Audit Commission expectations during ALMO inspections.
- 41 Based on the interviews we have conducted, it seems to us that the tenant and independent members of the Board have unresolved tensions with the Council. One tension is the extent to which they perceive that the Chief Executive will be controlled by the Council's Executive Leadership Team. This is a symptom of a more fundamental tension about a perceived loss of independence and autonomy to the Council. It is leading to questions being raised about the length of the arms length relationship with the Council under the new Management Agreement.
- 42 An appointment panel can reach agreement through consensus if the panellists holding the minority view are prepared to accede to the panellists holding the majority view. For this to occur the minority's most significant concerns about a candidate have to be considered and addressed. With the second appointment panel a severe split of opinion occurred that was balanced equally at four/four. No arrangement was established beforehand to make an appointment using the casting vote of the Chair. However, the long term interest of an appointee in carrying out the functions of their job is served by the strengthened support that comes from panellists reaching agreement by consensus or unanimity.

- 43 Our attention has been drawn to the high level of motivation and efforts of the first and second panels to reach agreement and make an appointment. An example of this was the facilitated work after the second appointment process interviews. Strengths and weaknesses of the candidates were analysed and a reasonable framework of questions for re-interviewing formed. Although disagreement existed between the panellists, good effort to reach agreement and make an appointment was maintained.

Recommendation

R3 An appointment panel formed for the Chief Executive position should in future have a clear way of reaching a final decision about appointing a candidate when unanimity cannot be achieved. This should be agreed upon before the commencement of the appointment process taking into account professional human resources advice.

Shared vision of the role of the Chief Executive of Rochdale Boroughwide Housing

- 44 In our opinion the proposals for the Chief Executive becoming a member of the Executive Leadership Team are genuinely focused on achieving important strategic objectives for the Council and particularly regeneration in Rochdale. This is an opportunity for Rochdale Boroughwide Housing to become a more significant strategic partner with the Council. It also provides a very good way forward at the end of the first Management Agreement and at a time that meeting the decent homes standard - an objective for the last few years - has been achieved. On re-inspections the Audit Commission now expects ALMOs to be able to demonstrate support for wider council agendas.
- 45 It seems to us that wrong perceptions and a low level of mutual trust and confidence are the most serious problems in current working relations. Unresolved tensions between the tenant and independent members of the Board and the Council make it hard to build mutual trust and confidence. This increases uncertainty in working relationships and decision making which consequently increases the risk of disagreement.
- 46 We can see no genuine causes for significant disagreement at strategic or operational levels between the Council and the Board. The performance of Rochdale Boroughwide Housing was assessed at the last housing inspection and found to be good. Everyone hopes realistically that a three-star ALMO status – the highest level of performance awarded by the Audit Commission's Housing Inspectorate – may be achieved. In helping people to move forward it is useful to reflect on the pressures that are giving rise to what we describe as wrong perceptions.

- 47 The tenant members of the Board are elected to represent the interests of tenants in securing good housing management services. It is to be expected that the competency area involving knowledge and experience of housing management would be very important and perhaps the most important competency for tenant directors.
- 48 Reinforcing the maintenance of status quo, Rochdale Boroughwide Housing has operated successfully and independently as an ALMO since 2002. It is natural for people within the organisation who have helped to achieve this success to feel comfortable with the independence of the arms length management arrangements that evolved under the first Management Agreement.
- 49 As company directors Board members have a responsibility to manage risk. This includes making decisions about how to respond to pure risk; threats to achieving the most important service objectives. The likelihood that threats involving some form of loss can be visualised helps in making decisions to address them. The other form of risk to be managed is speculative risk; opportunities that involve some risk of failure but also potential for significant gain. Speculative risk - looking into the future with little precedent for reference - is harder to visualise and by virtue of human nature usually more reluctantly accepted. The proposed role for the Chief Executive of Rochdale Boroughwide Housing with the Executive Leadership Team involves speculative risk from the perspective of the Board.
- 50 From the perspective of the Council it is important to understand that the expectations placed upon local authorities have changed significantly since Rochdale Boroughwide Housing was established in 2002. A clear indication of this is the change in the focus of audit and inspection of public services with the forthcoming introduction of Comprehensive Area Assessment. Public bodies and partners must be well coordinated to deliver the most effective services and improved prospects for residents and organisations in the borough. This is an operational imperative for the strategic management of the Council.
- 51 From the perspective of Rochdale Boroughwide Housing it is equally important to understand that the ALMO sector is in transition. As housing decency is achieved many ALMOs - Rochdale Boroughwide Housing included - are seeking new challenges and a wider remit to build on their successes to date and sustain their futures. It will be important for Rochdale Boroughwide Housing that its new Chief Executive has a sustained focus on developing the business and again this will involve managing speculative risk.
- 52 Taking the last two points together we believe that it is possible, and important, for these key functions to be developed in a way that makes them mutually beneficial, not potentially seen as competing priorities.
- 53 Our discussion with the Council's Chief Executive showed that he had a very clear vision of the Executive Leadership Team gradually developing to become a partnership board. This appears a sensible and pragmatic approach to get leaders in management positions in the Council's main partnering organisations within the borough to come together and cooperate more effectively. The proposed role for Rochdale Boroughwide Housing's Chief Executive as part of the Executive Leadership Team must be sufficiently exemplified and understood.

- 54 A presentation focusing on broad opportunities for Rochdale Boroughwide Housing was made to Board members in October 2006. The Council's Representative is also in frequent contact on matters relating to the Management Agreement. However, we have been told that there was no regular contact between the Council's Chief Executive and the Board and retired Managing Director during the lifespan of the first Management Agreement. In bringing forward proposals from the Council there should always be a strong focus on communication with representatives of Rochdale Boroughwide Housing and particularly the Board. What intentions are must be made clear on each occasion to avoid potential misunderstanding and to alleviate concern about loss of independence.
- 55 It is against this background that the Council's Representative and appointment panellists want a candidate appointed who has strong competency to work with the Executive Leadership Team. They should have good understanding of the direction of the Council as a local authority and not just as a housing authority.

Recommendations	
<i>R4</i>	<i>The tensions that exist need to be resolved. In particular, tensions between the tenant and independent members of the Board and the Council over the role of the Chief Executive and the length of the arm under the Management Agreement should be resolved before a further recruitment and appointment process for this position takes place.</i>
<i>R5</i>	<i>To build mutual trust and confidence in the future role of the Chief Executive of Rochdale Boroughwide Housing a pragmatic approach could be adopted:</i> <ul style="list-style-type: none"> • <i>agree how much time the Chief Executive will be expected to spend on matters connected with the Executive Leadership Team;</i> • <i>agree how support to the Chief Executive will be provided to carry out this role with Rochdale Boroughwide Housing and the Council; and</i> • <i>agree accountability to the Board and the Council and the level of delegated authority in decision making to the Chief Executive when working with the Executive Leadership Team.</i>
<i>R6</i>	<i>The potential value of using external facilitation should be considered by the Board and the Council's Representative in relation to R4 and R5.</i>
<i>R7</i>	<i>The Chief Executive of Rochdale Boroughwide Housing should have a sustained focus on business development.</i>

Second term of reference

'A review of the entire recruitment process to assess whether its management arrangements properly reflected the powers afforded to Rochdale Boroughwide Housing in respect of the appointment of staff in the Management Agreement, the relationship between Rochdale Boroughwide Housing and the Council and the decisions agreed by the board. This encompasses the whole sequence of events starting with the decision to offer the Managing Director and Operations Director early retirement. It should include an assessment of the board's decision-making processes at its meetings in December 2006 and January 2007.'

Responsibilities for staffing

- 56 The Management Agreement sets out the requirements for establishing and maintaining appropriate staffing structures with oversight by the Council's Representative.

'The organisation shall establish such staffing arrangements as may be appropriate to ensure the due and proper performance of the services.... The organisation shall notify the Council's representative in writing of any proposed significant amendment to the said staffing structure and shall not make any said significant amendment to the staffing structure during the term without the prior written approval of the Council's representative (which shall not be unreasonably withheld if the Council's representative is satisfied that such amendment will assist in the due and proper performance of the services).'

- 57 An important aspect of the above statement is that primary responsibility for making and amending staffing arrangements is placed on Rochdale Boroughwide Housing. In a company overall responsibility for staffing rests with the Board. A secondary responsibility for giving written approval before making significant amendment to the staffing structure rests with the Council's Representative; such approval must not be withheld unreasonably.
- 58 There are at least three formal and proper ways in which concerns about staffing arrangements could be raised with the Board by the Council's various representatives. Firstly, a concern could be raised by the Council's Representative under the Management Agreement. In some serious situations there is authority for the Council's Representative to issue an instruction that must be followed. Secondly, concerns could be raised at the meetings between the Council and Rochdale Borough Housing which must occur at least every three months under the Management Agreement. Thirdly, the Council has nominees who sit on the Board as Directors and who therefore have every right to raise significant staffing concerns at Board meetings or as appropriate with the Chair, Vice Chair, other Board members and senior management.

- 59 To ensure the due and proper performance of services the Board should review the staffing structure including senior management at regular intervals. In meeting governance, internal control and risk management expectations as a company it is appropriate that the adequacy of staffing arrangements is considered at least annually in preparing the 'Statement of the Board on Risk Management and Internal Control' included in the 'Directors' Report and Financial Statements'.
- 60 In practice issues will arise that should cause the Board and Directors to review staffing arrangements more often. Risk management is also considered regularly at the Audit Sub-Committee. Changes to staffing arrangements may be needed to respond to changes in risk factors within the risk environments in which Rochdale Boroughwide Housing operates.
- 61 The performance management framework for Directors should provide an appropriate means for issues to be raised individually and personal targets to be agreed and monitored. This includes whether or not Directors can adapt to change arising from new strategic and operational expectations. If there are difficulties, options can be considered which may include providing training, more support, changing role or enabling an employee to leave the organisation and be replaced.
- 62 The conclusion we draw from our brief review of staffing is that Rochdale Boroughwide Housing has proper arrangements in place in accordance with the Management Agreement. The Council's Representative should not need to have more than a very occasional decision making role.

The early retirements of the Managing Director and Operations Director

- 63 Members of the Board including the Chair were surprised by proposals brought forward from the Council for the early retirement of their Managing Director and Operations Director. As we have highlighted the primary responsibility under the Management Agreement for staffing rests with Rochdale Boroughwide Housing and the Board.
- 64 The early retirements of the Managing Director and the Operations Director were initiated by the Council's Executive Leadership Team with the approval, at political level, of the Leader of the Council. This matter was taken forward by a Director from the Executive Leadership Team in personal discussions about their future with the Managing Director and Operations Director.
- 65 We think the decision to approach the Managing Director and Operations Director to initiate discussions relating to possible early retirement - albeit with the redundancy and additional pension costs arising funded by the Council - was inappropriate and outside the terms of the Management Agreement. This action also clearly undermines the authority of the Board and compromised the discharge of Board members' responsibility as company directors.

- 66 The approach to the Managing Director and Operations Director was predicated on the belief that it would not be right to discuss the future of these officers with the Chair and the Board before having informal discussion with them first. This belief is quite clearly wrong under the Management Agreement. It created a conflict of interest for the Managing Director and Operations Director in their relationship with the Board. At the same time Board members - who have responsibility for establishing staffing arrangements to ensure the due and proper performance of the services - were kept uninformed. The Board was unduly exposed to risk in its most senior staffing arrangements.
- 67 The action of the Executive Leadership Team was ill judged, not the right way to commence discussion about a significant but sensitive staffing issue and has made building mutual trust and confidence with Board members more difficult. It seems to us that there is a lack of acceptance of the nature of arms length management exercised through a company and the Board members appointed.
- 68 After the proposal of early retirements was made to the Managing Director and Operations Director they naturally took time to consider privately their position at work and the direction of their life. There was some delay before the Managing Director informed the Chair of the offer of early retirement made by the Executive Leadership Team's representative. During this period the decision made by both Directors was that they should accept the offer of early retirement.
- 69 The two non health related causes permitted for approving early retirement under the local government pension scheme are 'redundancy' and 'in the interests of the efficiency of the service'. A personal perspective that may be formed by offering early retirement is that the person is not needed and not wanted. A proposal of this nature is therefore not easily withdrawn because of the adverse impact this would be likely to have on future morale, motivation and working relationships. It would have been very difficult - once such a suggestion had been made to the individuals concerned - to consider alternative options and the Board approved the early retirements subject to Council funding.
- 70 The Managing Director was the organisation's leader and together with the Operations Director makes up 50 per cent of the senior management team. It is good practice to have succession and contingency plans in place to handle turnover in senior management. Sudden unplanned turnover of senior managers is destabilising and poses a threat to maintaining and developing effective management and governance.
- 71 The District Auditor reviewed the legality of the Council's decisions in relation to the early retirements for the purposes of his functions as the appointed auditor to the Council. He decided that there was no action for him to take in discharging audit responsibilities. The correct procedures for approval under the local government pension scheme were followed and funding of the retirements was provided by the Council to Rochdale Boroughwide Housing under the terms of the Management Agreement.

- 72 There is no evidence that the simultaneous retirement of the Directors and subsequent delay and failure to appoint replacements has so far harmed operational service delivery. The remaining managers in post under the leadership of the Acting Managing Director have maintained operational control effectively. However, in terms of making longer term management decisions and strengthening governance at Board level Rochdale Boroughwide Housing seems to have made less progress than was expected in some areas in 2007.
- 73 Rochdale Boroughwide Housing recently announced the appointment of a new Operations Director who comes from a very experienced background. This therefore re-establishes some of senior management's permanent capacity and capability. We understand that the Chair and Vice Chair are keeping under review the option of appointing an interim Chief Executive. An interim appointment is a step preferred by the Council's Representative.
- 74 There are significant costs and benefits to be weighed in making an interim appointment. After two recruitment and appointment processes being unsuccessful some time may need to elapse for a strong field of candidates to take interest again in a permanent position. If a recruitment search, market survey or other informal evidence suggests that is the case, an interim appointment may be helpful in providing a person with good skill, knowledge and experience.
- 75 It is clear to us that there were significant staffing issues to be addressed about the future outlook of the Managing Director and Operations Director under a new Management Agreement. However, these Directors had been involved in a successful management team that established Rochdale Boroughwide Housing as an effective ALMO achieving its objectives in managing housing services. They had performed well. The way the early retirements were initiated therefore did not allow alternatives and their relative benefits and costs to be properly and transparently examined.

Recommendations

R8 The Council, its Executive Leadership Team and the Council's Representative should accept that the Board led by the Chair are always responsible under the Management Agreement for establishing staffing arrangements that ensure the due and proper performance of the services.

R9 The Council and the Council's Representative should raise significant concerns about staffing under the Management Agreement at the appropriate level within Rochdale Boroughwide Housing and in the case of Directors that is with the Chair, Vice Chair and the Board.

R10 When significant staffing issues are present that indicate a need to manage change under the Management Agreement, careful evaluation of all options available should be considered qualitatively and quantitatively by Rochdale Boroughwide Housing's Board and Directors and the Council's Representative in the first instance.

Appointing the Chief Executive

- 76 The responsibility for appointing a Chief Executive rests with Rochdale Boroughwide Housing and the Board. However, Clause 20.1 of the Management Agreement provides that the Council should give approval to a change in the Organisation's Representative. It would be problematic for Rochdale Boroughwide Housing to make an appointment of someone as Chief Executive who was not acceptable to the Council if asked to act as the Organisation's Representative. In our opinion it was appropriate for the Council to have representation in the appointment process.
- 77 The appointment process was delegated to a panel by the Board during the first and second appointment process. There is nothing in the Management Agreement that requires a joint appointment process or equal representation on the panel formed for making the appointment.

Recommendations

R11 When instituting a further appointment process for the position of Chief Executive, the Board should decide who sits on the appointments panel taking into account the views of the Council's Representative.

R12 Appointment Panellists should, as has happened so far, have an appropriate level of training, experience and professional support to make a senior management appointment to the post of Chief Executive.

Decisions at Board meetings in December 2006 and January 2007

- 78 The minutes of the Board meetings show that decisions were taken appropriately and recorded transparently. Reports were presented to the Board to enable them to consider agenda items.
- 79 The December 2006 meeting agenda included the early retirement of the Management Director and Operations Director. This was approved unanimously. The meeting also considered progress with the Management Agreement.
- 80 The January 2007 meeting again included progress with the Management Agreement. The meeting also considered proposed recruitment and appointment arrangements for the Chief Executive position including the job specification and competencies.

Third term of reference

'An assessment of the quality of the information, advice, support and guidance provided to the recruitment panel'.

Our judgement

- 81 This report has discussed a lot of aspects of the recruitment and appointment processes already. We conclude that the design of these processes followed reasonably recognised good practice. In reaching this judgement we think overall that information, advice, support and guidance provided to the appointment panels was at least adequate and in many cases good.
- 82 The second appointment process had stronger support and advice than the first. Advice was provided by the Council's Representative, an externally appointed advisor with chief executive experience at a leading ALMO and professional recruitment and appointment consultants. In addition advice and support was provided by the Council's Head of People Management.
- 83 An area of concern we considered in the second appointment process was the lack of in-house support for the Chair. Good alternative support was provided by the employment of the external advisor. Nonetheless, we think the absence of support from a Director and the Human Resources Manager in a well established close working relationship was undesirable and left the Chair exposed in leading the appointment panels to some degree.
- 84 An issue raised with us by some panellists was the lack of opportunity to meet the candidates outside of the interviews. In the second appointment process a decision was taken that panellists should not attend the assessment centre at lunch time because all panellists could not make themselves available. Only the Chair and the Leader of the Council met the candidates at lunch time at the assessment centre.
- 85 The counter view expressed to us is that people appointed to highly paid management and leadership positions should be able to communicate succinctly and convincingly in a short space of time. In real life time is often very constrained and that pressure was replicated appropriately by the interview arrangements.
- 86 In the second appointment process in particular the advisors and consultants had a lot of contact with the candidates at the assessment centre. The assessment of performance was thorough in selecting candidates for the final interview stage. In these circumstances the interview process is probably sufficient direct contact with candidates because panellists can rely on the professionalism of the appointment process to that point.

Recommendation

R13 In making a further appointment to the post of Chief Executive the Board should consider carefully how support is provided to the Chair of the panel from within Rochdale Boroughwide Housing.

R14 An appointment panel formed for the Chief Executive position should in future have a clear remit for how panellists and candidates might interact or not interact at events such as an assessment centre when breaks and lunchtime occur and there is a potential opportunity to meet. This should be agreed upon before the commencement of the appointment process taking into account professional human resources advice.

Fourth term of reference

'A review of the conduct and actions of all panel members and advisors to ascertain whether they acted in accordance with their terms of reference and whether they acted in accordance with any relevant code of practice/good recruitment practice, with an emphasis on the actions of the Chair. An assessment of whether Rochdale Boroughwide Housing Board members met their statutory duties under company law'.

Conduct of panellists and advisors

- 87 In our investigation we have not had the opportunity to attend meetings nor to witness events as they occurred. The findings we make are therefore based on what we have been told during interviews and our review of constitutional, conduct and governance arrangements.
- 88 In our judgement there are two significant recurring problems that put at risk individual people and the Council and Rochdale Boroughwide Housing as organisations. The first is a failure to maintain appropriate confidentiality on some occasions. The second is discussion at meetings where on some occasions argument has led to statements or actions that have potentially breached codes of conduct. With codes in place there are clear channels for people present at the time who are aware of breaches of confidentiality or who endured what they consider to have been misconduct to complain and seek redress.
- 89 In the first appointment process a serious breach of confidentiality occurred as we have already described. We do not know who was responsible for information about a candidate leaking to third parties. We are aware that the issue of confidentiality was often reinforced to panellists during the second appointments process.

- 90 Under the Code of Conduct for Members of the Council there is a duty not to disclose confidential information. Similar provisions relating to confidentiality exist in the Board Members' Code of Conduct and Confidentiality Policy within Rochdale Boroughwide Housing. It would be professional malpractice for advisors or consultants to leak such information. How they could be held to account for this would vary from person to person.
- 91 Under the Code of Conduct for Members of the Council there are other duties that are relevant in relation to Councillors carrying out their roles in the appointments processes:
- personal and prejudicial interests;
 - not to bully, intimidate or attempt to intimidate others;
 - treat others with respect; and
 - bring your authority or office into disrepute.
- 92 Under the Local Government Act 2000 the Monitoring Officer (Borough Solicitor) is responsible for advising Councillors on matters of conduct and supporting the Council's Standards Committee. The Monitoring Officer may be called upon to handle complaints, enter into liaison with the Standards Board for England (the regulatory body) and to conduct investigations into alleged breaches of the Code. No complaints have been made to the Monitoring Officer about the conduct of Councillors during the recruitment and appointment processes.
- 93 The Monitoring Officer investigated the source of an article that appeared in Rochdale Online which was disrespectful about the Chair and disclosed confidential information. This inherently difficult investigation did not find the source of the article.
- 94 The Board Members' Code of Conduct also requires high standards of behaviour. Board members must:
- act in the best interests of the company and those who it seeks to serve;
 - exercise due care and diligence in the management of the company;
 - exercise independent judgement in the interests of the company;
 - ensure that avoidable loss is not incurred in managing the company;
 - declare any actual or potential conflicts of interest;
 - make no private profit from their position; and
 - act in accordance with the decisions of the Board.

- 95 During the period of time under review in this study an investigation of one Board member's conduct at a Board meeting was completed by the Acting Managing Director under the disciplinary procedure. This found that the Board member's conduct in leaving a meeting and encouraging other Board members to leave as well potentially breached the duty of care and diligence in managing the company. However, it was decided that this was not a deliberate breach of this duty and would not have occurred had the Board member realised the implications of this action in potentially leaving the Board meeting improperly constituted. The Acting Managing Director provided warning advice to the Board member and decided to take the matter no further under the disciplinary process.

<i>Recommendations</i>
<i>R15 In Rochdale Boroughwide Housing the Board should consider including in its training programme and that of relevant Directors and other managers practical training in handling confidentiality.</i>
<i>R16 In the Council consideration should be given to including in the training programme for Councillors, relevant Directors and other managers practical training in handling confidentiality.</i>

Actions of the Chair

- 96 Disciplinary proceedings against the Chair in relation to a statement made by the Council's Representative have, we understand, been concluded. We have played no role in the disciplinary process which is concerned solely with the behaviour of the Chair in the context of the Board's Code of Conduct. Our findings concentrate on the events and decision making that led to the discontinuation of the second appointments process because an appointment could not be made. Our reference points are always best practice and the pure risk that arises from not following best practice.
- 97 The complaint concerns the content of telephone discussions that the Chair held with the Council's Representative and two of the Councillors as members of the second appointments panel. The discussions in question took place in the interregnum between completing the first interviews and the arranged re-interviews of candidates.
- 98 Rochdale Boroughwide Housing is a medium sized company able to call on or acquire substantial human resources advice and support from external consultants and advisors in making an appointment. This provides the context for best practice in appointing a Chief Executive.

- 99 Best practice in an appointments process involves a highly disciplined and strictly confidential process as follows.
- Information should be admitted to the process only through the formal channels (eg an application form) or arise only from candidate assessment procedures and events.
 - The assessment of candidates by the appointment panellists should only take place at the formal events and using the information that has been acquired in the formal process.
 - Panellists should take into account advice but only from human resources, consultants and advisors employed directly in the appointments process.
 - Information and assessment should be overseen by human resources, consultants and advisors who are professionally qualified and experienced.
 - All information must be rigorously controlled and secured by human resources or the consultants.
 - Where external verification or exemplification of information about a candidate is needed (eg taking up references) that should be undertaken professionally by human resources or consultants.
 - Appointment panellists should have sufficient training and experience in relation to appointment processes and particularly relevant law.
 - The appointment panellists should be open and fair minded in making their assessments of the candidates and never pre-determined or discriminatory.
- 100 Any departure from the best practice outlined in summary above creates a risk that the appointment process is compromised. Its fairness may be challenged by the candidates including on the grounds of discrimination and this may harm personal and organisational reputation.
- 101 From the interviews we have conducted and the documentation provided to us we know that:
- the Chair initiated discussions prior to the next planned formal appointment event (re-interviewing) with two fellow panellists who she knew at that time held different opinions to her about the candidates' relative performance to date and their competence;
 - the discussions the Chair initiated with the fellow panellists extended beyond making administrative arrangements about the next appointment event and involved discussing the candidates' performance, competence and suitability for appointment;
 - the fellow panellists say they felt compromised by new information about the candidates (including hearsay) the Chair discussed with them;
 - the Chair and the Council's Representative held a lengthy telephone discussion on 12 July 2007 following which the Council's Representative was left with serious concerns about what the Chair had said and her possible pre-determination against one of the candidates.

- 102 In our opinion the Chair made an error of judgement in contacting other panellists outside the formal process. This is so even if the motivation was to encourage reaching agreement using her position as Chair. She should not have done so before taking professional advice. The panellists concerned are knowledgeable and experienced in making appointments to senior positions. With good reason they were sensitive to the risk of compromising the appointment process by informal discussion and sharing information (including hearsay). The importance of maintaining confidentiality had also been emphasised to all panellists during the second appointment process.
- 103 The Council's Representative consulted the Head of People Management about the Chair's actions and concerns raised by the panellists. At that point in time it was necessary to assess whether there was a significant risk that the appointment process was compromised and they concurred that it was. A decision was made to postpone the candidates attending for re-interview and to report to the panel meeting the actions taken by the Chair. Subsequent attempts to resolve the issues that may be compromising before the panel meeting were unsuccessful.
- 104 A downside of the joint panel process is that the only forum for decision making is the panel meeting. A completely internal appointment process in either the Council or Rochdale Boroughwide Housing may have enabled the situation to be handled under more control and with greater sensitivity. Reporting issues of this sensitivity to an open meeting and discussing them is inherently difficult and unpleasant.
- 105 No formal minutes of the final panel meeting were taken. However, it seems that a sufficient consensus was established that the appointment process must be terminated. The candidates were advised that the appointment panel were unable to make an appointment.

Statutory duties under company law

- 106 The Companies Act 2006 ('the Act') has recently updated the law in relation to companies. The Act sets out the general duties of company directors (Board members) in sections 171 to 177.
- Act within powers.
 - Promote the success of the company.
 - Exercise independent judgement.
 - Exercise reasonable care, skill and diligence.
 - Avoid conflicts of interest.
 - Not to accept benefits from third parties.
 - Declare interest in proposed transaction or arrangement.
- 107 The Act codifies general duties established and applied previously in common law during the lifespan of the Companies Act 1985. The first five of the above duties commenced under the Act in October 2007 and the remaining two come into force in October 2008.

- 108 The duty to act within powers requires Board members to act in accordance with the constitutional arrangements. The governance arrangements the Board has established, maintained and updated have met requirements under the Companies Act 1985 and the Act.
- 109 The duty to promote the success of the company means acting in good faith to secure success for the benefit of its members as a whole. In this case the Council is the sole member of the organisation. Success can therefore be achieved by meeting expectations set out in the Management Agreement and achieving the objectives of the company set out in the Articles of Association. This duty also calls for regard to be had for the interests of employees and others.
- 110 The duty to exercise independent judgement is relevant in all decision making. This duty is therefore important in appointing employees including a Chief Executive.
- 111 The Board should keep its management and governance arrangements up to date to comply with the Act. Overall, in the areas we have studied, the Board members are meeting these duties and the risk of non compliance would seem to be an occasional one.

Fifth term of reference

'An assessment of the conduct of both Rochdale Boroughwide Housing and the Council in the period following the cessation of the second recruitment exercise'.

Initial observations

- 112 Rochdale Boroughwide Housing and the Council are organisations that can only act as corporate entities through the people or groups of people that represent them. We have outlined in the report so far a lot of issues prior to the cessation of the second recruitment and appointment exercise that are likely to have caused difficulty in personal working relationships and in building mutual trust and confidence more broadly.
- 113 In the time since the cessation of the second appointment process there has been some tendency by the Council, in a period of difficult working relationships, to look to the terms of the Management Agreement or to otherwise seek to resolve matters formally. A formalistic approach to the relationship between the organisations is more appropriate when there are very serious and significant issues of performance, governance, risk or legality to be addressed that otherwise threaten the future of Rochdale Boroughwide Housing. We have not seen or heard anything that should be raised up to that level and especially as a ten year Management Agreement has recently been put in place.

- 114** The aim of audit studies under section 35 of the Audit Commission Act is to promote improvement. The most important points we can make here therefore are as follows.
- Mutual trust and confidence must be rebuilt between all parties.
 - There is a firm basis to do this because the underlying performance of Rochdale Boroughwide Housing in managing housing services appears to be good at present.

The way forward

- 115** As we have said, it is personal working relationships and mutual trust and confidence that need to be rebuilt. There are some significant steps that can be taken to achieve this.
- 116** The Council is responsible for nominating the Councillors who will serve on the Board. When it is time to re-nominate it is important to balance the respective merits of continuity and freshness. The knowledge and experience of the Councillors currently serving on the Board appears high. Councillors should be able to make the substantial time commitment needed and have knowledge and experience that can be applied in overseeing housing management. An appointment to the Board is prestigious and highly responsible.
- 117** Nominating Council representatives for longer than 12 months - perhaps on a staggered basis - would increase the stability and continuity of the Board. It would also give members, or other nominees, a longer-term stake as directors of the company.
- 118** The Executive Leadership Team is run on the basis that responsibilities are flexible. Therefore the opportunity exists from time to time to reallocate responsibility for the role of Council's Representative under the Management Agreement. Taking into account the views of the Board, the advantages of maintaining continuity or making a change should be considered.
- 119** Decisions about appointing or not appointing an interim Chief Executive should be taken by the Board. It will be helpful in this to understand the market situation for trying to make an eventual permanent appointment. It may be useful to carry out a labour market survey to assess what opinion of Rochdale Boroughwide Housing presently is as that would inform decision making about any interim need to appoint as well as a permanent appointment. In any event we discussed earlier the benefit of establishing with the Council more pragmatic information on the Chief Executive's role as a member of the Executive Leadership team.
- 120** Earlier in the report we have described Rochdale Boroughwide Housing as having not made as much progress with long term decision making and developing governance as expected in 2007. Moving forward to achieve a clear plan in relation to appointing a Chief Executive should help with this.

- 121 We have also seen the report produced in 2007 by the Housing Quality Network and we think it is important that this continues to be acted upon by the Board and the Council. The report makes a number of recommendations all of which have value for Rochdale Boroughwide Housing and the Council. However, in the context of the scope of our work, two sets of recommendations have particular relevance. Firstly, the recommendations relating to Board member job descriptions, training and appraisal under 'Governance Procedures' and secondly the recommendations listed under 'Role of the Local Authority'.
- 122 However there is one important point of clarification to be made in relation to the Housing Quality Network report. It states that:

'Audit Commission inspection does not closely review governance arrangements'.

Whilst this may be true of new ALMOs at the point of first inspection it is not currently true of re-inspections where governance arrangements form an important aspect of the assessment.

Recommendations
<i>R17 The way forward in relation to appointing or not appointing an interim Chief Executive and the likely timing of a recruitment and appointment process for a permanent Chief Executive should be planned out by the Board.</i>
<i>R18 In relation to R17 the Board should consider the possible benefits and weigh the cost of a labour market survey to understand the state of opinion about Rochdale Boroughwide Housing as an employer.</i>
<i>R19 The Council should consider nominating representatives to the Board for longer than twelve months and on a staggered basis.</i>
<i>R20 The Board should re-establish its development programme - including Board member assessment and development - and take forward actively the findings, conclusions and recommendations in the Housing Quality Network report.</i>

Appendix 1 – Summary of the terms of reference

	Areas for investigation
1	A review of the recruitment process and methodology used, to assess whether it was fit for purpose. This includes, but is not restricted to the size of the panel, consideration of the requirement for a unanimous decision, whether both organisations had a clear shared vision of the role of Chief Executive, the appropriateness of the brief given to the recruitment consultants and an evaluation of the long listing and short listing processes.
2	A review of the entire recruitment process to assess whether its management arrangements properly reflected the powers afforded to RBH in respect of the appointment of staff in the Management Agreement, the relationship between RBH and the Council and the decisions agreed by the Board. This encompasses the whole sequence of events starting with the decision to offer the Managing Director and Operations Director early retirement. It should include an assessment of the Board's decision-making processes at its meetings in December 2006 and January 2007.
3	An assessment of the quality of the information, advice, support and guidance provided to the recruitment panel.
4	A review of the conduct and actions of all panel members and advisors to ascertain whether they acted in accordance with their terms of reference and whether they acted in accordance with any relevant code of practice/good recruitment practice, with an emphasis on the actions of the Chair. An assessment of whether RBH Board members met their statutory duties under company law.
5	An assessment of the conduct of both RBH and the Council in the period following the cessation of the second recruitment exercise.