

Cabinet - 9 October 2014

Report of the Chief Executive

Electoral Division affected: All

Proposed New Employee Structure for Lancashire County Council
(Appendices 'A', 'B', 'C' and 'D' refer)

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Executive Summary

It is well known that the County Council faces a huge financial challenge. The impact of cuts in central government funding means that the County Council must save £300 million from our revenue budget by April 2017.

As an organisation, if we are going to save £300 million from our revenue budget, then we cannot stay as we are. The loss of this significant level of funding cannot be achieved within the County Council's current operational structure. In order to deliver £300 million of revenue savings, it will be necessary to change and reshape the County Council and in doing so ensure that the inevitably smaller organisation will be fit for the future and continue to work for the people and communities of Lancashire.

The Council will be a much smaller organisation and whilst the scale of the financial reduction presents a significant challenge to the Council, at the same time it represents an opportunity to fundamentally re-design the Council's operating model. The purpose of this will be to ensure that the new organisation is not just smaller, but one which is: more joined up; flexible; focused on the needs of our customers recognising that they will change over time; and able to maximise the impact of the available funding so that it will deliver the things that matter to the people of Lancashire within the Council's much smaller revenue budget.

Both the design of the Council's new structure and the process by which appointments are made to it have been considered by the Management Team at length. In designing the new structure Management Team recognised from the outset that the process should take place over a two year period in two phases, the first phase of recruitment being for the Council's senior management structure for Grade 11 and above, with the intention that this will be in place by April 2015. Once these positions are appointed to, the structure for grade 10 and below would then follow and this second phase will be completed by April 2016.

A key objective underpinning the proposed principles for appointment to the new organisation for all staff at all grades is to adopt as open a recruitment process as is practically possible to ensure that the best person is appointed for each job, balanced against the need to maintain Council services and employees' interests.

Both the principles for recruiting to the new structure and the structure itself have been the subject of extensive consultation with employees and trade unions. The proposals now recommended to Cabinet take fully into account all responses to the consultation and represent Management Team's considered view on both the design of the new structure and the guiding principles for recruiting to the new posts.

The proposals for the new structure which are identified in the body of the report, include the establishment of a new Employee Welfare Team to strengthen the Council's capacity to support employees and managers. It is recommended that these appointments are made as soon as possible, in advance of the recruitment timetable, to provide any support needed by employees and managers in connection with the transformation process itself.

This report therefore sets out for approval:

- The proposed new structure for the Council for posts at or above Grade 11;
- The principles upon which it is proposed appointments to the new structure will be made; and
- Governance issues relating to the proposed recruitment process.

If agreed, the proposed new structure for the Council for posts at or above Grade 11 will result in a reduction of 157 (28%) in the number of posts in scope at this stage of the reorganisation within the leadership and management structure of the Council. This will result in annual savings of £11.4m, reducing our net cost of posts within this grade range by 38%.

This is deemed to be a Key Decision and the provisions of Standing Order 26 have been complied with.

Recommendation

Cabinet is recommended to:

- (i) Note the contents of this report;
- (ii) Approve the proposed new structure for the County Council for posts at, or above, Grade 11 set out at Appendix 'A' to this report;
- (iii) Approve the principles for making appointments to the new County Council structure for all posts, including those at, and below, Grade 10, set out at Appendix 'B' to this report;
- (iv) Agree to the establishment of an Employee Welfare function, comprising one post at Grade 11 and three posts at Grade 10, with immediate effect, appointments to be made as soon as possible to support the transformation process;
- (v) Recommend the Urgency Committee to agree:

- (1) that, for the purposes of the Transformation process only, and subject to statutory requirements, the Employment Committee be responsible for appointments to the posts of:
 - (a) Corporate Director Commissioning and Deputy Chief Executive;
 - (b) Corporate Director Operations and Delivery;
 - (c) Director of Development and Corporate Services;
 - (d) Director of Adult Services;
 - (e) Director of Children's Services;
 - (f) subject to applications being received from staff holding an appropriate professional qualification allowing them to also be appointed as the Council's Monitoring Officer or S.151 Officer, the Director of Governance, Finance and Public Services; and
 - (g) Subject to the appointment of the Monitoring Officer or S.151 Officer at (f) above, the Director of Financial Resources and/or the Director of Legal and Democratic Services, the successful applicant being appointed as the Monitoring Officer or S.151 Officer;
- (2) that all other appointments be delegated to the Head of the Paid Service;
- (3) that all appointments be made in accordance with the principles referred to in paragraph (iii) above and that the role of the Employment Committee in future appointments to senior posts then be reviewed;
- (4) that all appointments to the Council's structure at all grades, including Director grades and above, will be made on the basis of Lancashire County Council Terms and Conditions of Employment, and that this principle also be applied to the Chief Executive on the basis set out in the report;
- (5) that a Chief Officer Car Leasing Scheme be implemented based on the same entitlements/costs as at present, the details of the Scheme to be finalised and approved by the Chief Executive;
- (6) to approve the Appeals Procedure set out at Appendix 'C' to this report.

Background and Advice

1. Introduction: The challenge

The County Council faces a huge financial challenge. The impact of cuts in central government funding means that the Council must save £300 million from our revenue budget by April 2017.

The loss of this significant level of funding cannot be achieved within the County Council's current operational structures. In order to deliver £300million of revenue savings, it will be necessary to change and reshape the County Council in order to ensure that the inevitably smaller organisation will be fit for the future and continue to work for the people and communities of Lancashire.

Whilst the scale of these changes is a significant challenge to the Council, at the same time it presents an opportunity to fundamentally re-design the Council's operating model. The purpose of this will be to ensure that the new organisation is not just smaller, but one which is more joined up, flexible, focused on the needs of our customers recognising that they will change over time and able to maximise the impact of the available funding so that it will deliver the things that matter to the people of Lancashire within the Council's much smaller revenue budget.

2. Meeting the challenge: The new Council structure

The requirement to save £300million from the Council's revenue budget by 2017-2018 means it is necessary to reshape the Council and in doing so reducing the size and cost of the workforce.

It is important to acknowledge that the significant financial challenges we face are not the sole driver for reshaping the organisation. This process is intended to see existing structures and ways of working succeeded by arrangements that are truly fit for the future, leaving the Council better placed to take advantage of new opportunities that deliver the things that matter to people across Lancashire.

The Council's proposed new employee structure will be implemented in two phases:

- A new structure for posts at or above Grade 11 (or equivalent salaries on other pay scales) will be agreed and appointed to by 1 April 2015;
- Followed by a new structure for posts at or below Grade 10 (or equivalent salaries on other pay scales) will be agreed and appointed to by 1 April 2016.

The completion of these two phases of the process will take us to April 2016 and is described as the Stage One process.

The proposed new structure for posts at Grade 11 and above is shown at Appendix 'A' to this report.

A number of design principles have been central to determining how the structure looks. It is intended to provide the foundation for a new strategic focus, placing prosperity, health and wellbeing at the heart of all that we do. Delivering economic growth, looking after the most vulnerable members of our communities and demonstrating a commitment to fairness in how the Council's resources are distributed are key themes embedded in the structure's design.

There are no directorates in the new structure as the limited resources available mean that the costs that are built into maintaining the current directorate structure cannot be justified. The directorate structure has also in the past encouraged silo thinking and working, which is inefficient and too often puts the focus on the council's internal boundaries rather than the needs of our customers. The new structure has clear lines of responsibility and accountability, and is intended to encourage a shared sense of purpose across the whole organisation. At this stage, it is appropriate to highlight three key building blocks of the proposed new structure:

Commissioning

There will be a single Corporate Commissioning function, rather than the separate commissioning functions that currently sit within directorates. This will be at the heart of delivering the Council's priorities and provide a powerful, consistent and systematic business planning process. It will develop an understanding of communities' needs, based on up to date evidence, and work with and on behalf of other services to agree outcomes and secure the best services within the available budget. With the inclusion of area public service integration, procurement and asset management, this function will also ensure that we are using all of our resources as effectively as possible.

Operations and Delivery

Operations and Delivery's focus will be on front line service delivery, responsible for services that touch the lives of people across Lancashire on a daily basis. The three teams within the structure mirror the three strands of the Council's Health and Wellbeing Strategy – start well, live well and age well. These areas will need to work flexibly with each other and hand in hand with Corporate Commissioning, ensuring that health and wellbeing are at the core of frontline services. The key challenges for Operations and Delivery will include being as lean and as efficient as possible, and joining up services in a way that delivers the seamless customer experience. Integral to achieving all of these goals will be the role of Customer Access, which will report into the Corporate Director.

Capacity to develop new opportunities

In the Development and Corporate Services part of the structure, the council will have a dedicated resource to take up, develop and deliver on new opportunities and different ways of working. This work will range from implementing large infrastructure projects including the City and Growth Deals, supporting economic development and regeneration initiatives through to preparing the council for new challenges like the Care Act and enabling new means of service delivery such as bringing forward much needed extra care facilities. Services and directorates in our current structure have often understandably struggled to find the capacity to bring such projects forward alongside delivering the day job. In future, we should be flexible and responsive enough to grab good opportunities for Lancashire as and when they arise.

The new structure is intentionally very different from the current one but the transformation of the Council will not be delivered by new posts and functions set out on a piece of paper. The structure has been designed so that when it is implemented this will look and feel like a very different organisation. It will encourage and enable all staff to both think and work differently.

Overall and most importantly, despite the considerable challenges the Council is facing, the structure is designed to ensure that the Council maintains a positive sense of what it can achieve and to continue to have the very highest aspirations for Lancashire and its communities.

3. Phase One of the new Structure: Posts at Grade 11 and above.

The Council's proposed new employee structure will be implemented in two phases. The first phase will comprise a new structure for posts at or above Grade 11 (or equivalent salaries on other pay scales) will be agreed and appointed to by 1 April 2015.

Currently there are 753 posts at grade 11 above. In the proposed new structure there will be 596 posts. In both cases, the posts currently shown in the new structure as being out of scope at this stage of the re-organisation, circa 183 posts, are included in these total number of posts. This means that the number of posts in scope at this stage of the reorganisation, to be used for comparing the current structure with the new structure is 570 posts and 413 posts respectively.

Overall, the new organisation will have 157 fewer posts at salaries equivalent to Grade 11 and above. This represents a 28% reduction in the number of posts in scope at this stage of the reorganisation within the leadership and management structure of the County Council.

A number of posts within the structure will continue to be funded from income and therefore the net cost of posts (which takes into account posts that will be funded from income) has been used to determine the financial impact. Overall, the recommendations proposed in this report will result in cost savings to the County Council of £11.4m per annum (38%), making a significant contribution to our savings targets of £300m.

Out of Scope Services

The School Improvement and Schools Development and Innovation Services, which are among the most significant traded services in terms of scale, are shown in the new structure as being out of scope of this stage of the reorganisation. Similarly an element of statutory service provision, such as Educational Psychology Services, is identified as out of scope as discussions are underway about potential new business models that could be explored and more work is required before options can be put forward. Employees in these service areas will be kept up to date and involved in this work as it progresses.

4. Principles for appointment to the new organisation

Open Recruitment

The proposed principles for making appointments to the new organisation are set out at Appendix 'B' to this report.

Underpinning these principles is the wish to adopt as open a recruitment process as is practically possible to ensure that the best person is appointed to every post in the new structure. In ideal circumstances this would mean that all jobs would be open to applications from the entire workforce. However, given that the process will involve some 10,000 employees and that the intention is to have completed the transformation process by April 2016, this would not be a practical way forward. The principles proposed therefore embody the principle of open recruitment, balanced

against the need to maintain the delivery of council services and employees' interests.

Given the timescale of the change and the desire for fairness during this process, it is proposed that each member of staff will have the opportunity to apply for a maximum of three roles up to April 2016. It is expected that it will take until March 2016 to make all appointments to the new establishment. If employees are unsuccessful in their three applications during this period, they may then be able to apply for posts after April 2016 depending on the number of positions available.

Subject to a sufficient number of volunteers coming forward by 31 March 2016, it is proposed that no employee will be made compulsory redundant during this period. This will mean that if employees find themselves without a post as a result of the recruitment process they will remain subject to redeployment during this period until March 2016.

Who is eligible to be considered in the restructure?

With a few exceptions, all our employees are eligible to be considered for posts in the new structure. This includes:

- Employees who have transferred into the council under TUPE regulations, or the principles of TUPE. They will be expected to apply for posts based on the comparable grade. We will establish the comparable grade as part of the restructure process; and
- Graduates and apprentices on training contracts unless covered by the limited number of exceptions below.

The exceptions are:

- Employees on fixed term contracts will only be included within Stage One of the recruitment process if they have 12 months continuous service with the County Council at 31 March 2015 for posts within the grade 11 and above structure and 31 March 2016 for posts within the grade 10 and below structure; and
- Agency and casual workers.

Generic Role Profiles

The new structure will be designed using generic role profiles. Profiles already exist up to Grade 12 and are used throughout the Council as the basis for recruitment to the majority of posts. New profiles have been developed, which have been subject to equal pay evaluation, for roles above Grade 12, enabling the entire structure to be designed on this basis.

Wherever possible person specifications will be based on these generic role profiles and requirements for specialist qualifications, skills and experience will only be added where these are essential to the role. This will ensure that all posts within the Council are remunerated on a fair and equal basis and that, for many employees, comparisons with existing structures and roles will not be relevant.

Pay Protection

During the consultation with employees the Management Team were asked to consider alternative proposals which would provide pay protection for employees applying for lower graded posts within the new structure. The principle of not providing for pay protection at Stage One of the process has not changed. Employees who are successful in securing a new post at stage one of the process will have applied for and been appointed to a new job within the new structure. Employees who enter the second stage of the process because they have not been successful in securing a new job in the new structure will clearly be at risk of redundancy. In the event that a suitable redeployment opportunity is identified at the second stage of the process, then those employees will still be afforded pay protection.

Terms and Conditions of Employment

The Employment Committee currently has delegated powers to determine the terms and conditions of employment on which employees hold office. Following the Council's equal pay review that concluded in 2011 the majority of staff accepted (either voluntarily or by accepting re-engagement) that they would in future be working on Lancashire County Council Terms and Conditions of Employment, and revised Statements of Particulars were issued to all staff incorporating all changes made as a result of the Equal Pay Review.

This exercise included all staff employed on different terms and conditions as a result of TUPE transfers. However, since then many more staff have transferred to the Council's employment, including notably staff who transferred from the NHS as part of the Public Health transfer. The transformed Council will be a completely different organisation than at present and as part of the philosophy of transparency and equity it is considered that all staff should be employed on the same terms and conditions of employment and on the basis of the Lancashire Pay spine. Whilst TUPE provides protection for staff transferring to a new employer, the change proposed is entirely unconnected with the transfer of the groups of staff affected and does not therefore breach the TUPE Regulations.

All posts in the new structure will therefore be offered on the basis of Lancashire Terms and Conditions of Employment and applicants will therefore be aware of the basis on which posts in the new structure are offered and that by accepting a post they do so on the basis of Lancashire Terms and Conditions. It is proposed that this principle extends to all posts at Director Level and above including the Chief Executive. In practice there are few significant differences between existing JNC Conditions of Service for Chief Officers and Lancashire Terms and Conditions other than the Car Leasing Scheme. It is proposed that an LCC Car Leasing Scheme is established based on the same entitlements/costs as at present to take effect as a local condition of service.

However, there are further differences between Lancashire Terms and Conditions and the JNC Terms and Conditions for Chief Executives. It is therefore proposed that these are reviewed based on the principle that the Lancashire Terms and Conditions will apply subject to any further provisions that may be necessary also being included. This review will be reported to the Employment Committee in due course.

As terms and conditions of employment are a non-executive function (and therefore cannot be agreed by Cabinet) a recommendation to adopt this principle must be made to the County Council's Urgency Committee.

5. Chief Officer Appointments

The appointment of Executive Directors, the Monitoring Officer and the S151 Officer is currently the responsibility of the Employment Committee, reflecting the Council's current hierarchy. Under the new Council structure the Chief Executive intends that her core Management Team would comprise the Corporate Director Commissioning and Deputy Chief Executive, Corporate Director Operations and Delivery, and Director of Development and Corporate Services. Proposals to make appointments to these posts would, as at present, continue to require to be notified to Cabinet Members to provide an opportunity for them to object to the appointment, a requirement within the Council's Constitution that reflects legislation.

The current posts of County Secretary & Solicitor (this post is also designated as the County Council's Monitoring Officer) and County Treasurer (this post is also designated as the County Council's Section 151 Officer) are not replicated in the new structure. Therefore, it is possible that the roles of Monitoring Officer and S.151 Officer could be attached to a number of posts within the new structure, depending ultimately on the professional qualification of the individual who is appointed to each of these posts.

If the Council's proposed new structure is approved it is proposed that Cabinet recommend the Urgency Committee to agree that the Employment Committee should be responsible for making initial appointments to the new structure in relation to the following posts:

- Corporate Director Commissioning and Deputy Chief Executive;
- Corporate Director Operations and Delivery;
- Director of Development and Corporate Services;
- Director of Adult Services;
- Director of Children's Services;
- subject to applications being received from staff holding an appropriate professional qualification allowing them to also be appointed as the Council's Monitoring Officer or S.151 Officer, the Director of Governance, Finance and Public Services; and
- Subject to the appointment of the Monitoring Officer or S.151 Officer referred to above, the Director of Financial Resources and/or the Director of Legal and Democratic Services, with the intention that the successful applicant(s) is/are also appointed as the Monitoring Officer or S.151 Officer;

It is proposed that appointments to all other posts are delegated to the Chief Executive as Head of the Paid Service.

However, in the case of the roles of Monitoring Officer and S.151 Officer, before any appointment is made the proposal to do so must be notified to Cabinet Members (for the same reasons referred to above) and the consent of Full Council is also required

before an appointment can be made to either post. Given the tight timescales for making appointments to the Grade 11 and above structure it is therefore intended that approval of Full Council to these proposed appointments will be sought from the Urgency Committee in due course.

All of the appointments referred to above will therefore initially be made in accordance with the principles set out at Appendix 'B' to this report , in common with all other appointments to the new structure and, where necessary, the further requirements identified above. Going forward it is proposed that the Employment Committee's future role in senior appointments be reviewed.

Cabinet is therefore asked to recommend the Urgency Committee to agree to these changes on behalf of Full Council.

6. Employee Welfare

The new structure establishes an additional post, at Grade 11, of Employee Welfare Manager. It is proposed that this post will be supported by a team of three posts at Grade 10 to establish a significant Employee Welfare function. The service will provide welfare support to employees where personal and employment related issues are affecting the capability and capacity of employees to effectively undertake their roles. It is proposed that recruitment to these posts will take place as soon as possible, in advance of appointments to the wider Council structure to provide support to the transformation process.

Consultations

There has been extensive consultation with staff and Trade Unions in relation to all aspects of the proposals.

Consultation on the Principles for Appointment took place in June and July 2014, as a result of which a number of changes were made to the proposals. The changes made include providing greater opportunity for employees on fixed term contracts and for those who have taken on new roles pending the implementation of the new structure, often to facilitate voluntary redundancies and cost savings.

The consultation on the structure for posts at Grade 11 and above opened on 15 July 2014 and closed on 12 August 2014, with options to submit comments by email or letter. Over the 4 week period 194 comments were received by mail and letter. In addition to the consultation mailbox and letter options, 6 staff briefings with question and answer sessions were attended by 517 staff and two on line live Q&A have been held. This process helped to inform the production of 188 frequently asked questions (FAQs) and answers being published throughout the consultation period and after.

Alternative proposals have been considered by Management Team and a number of changes made to the proposed structure as a result. Most significant has been the proposal to consider over 60 employees, mainly teachers and educational psychologists, as out of scope in this phase of our transformation so that they may be considered, alongside others, in discussions currently underway regarding potential new business models.

The proposed Appeals Process at Appendix 'C' to this report is currently the subject of consultation with the recognised Trade Unions and the outcome will be reported orally to Cabinet.

Implications:

This item has the following implications, as indicated:

Risk management

The implication of not proceeding with the recommendations proposed in this report is that there will be a materially adverse impact on the ability of the County Council to achieve the significant financial challenges outlined in this report. In the opinion of the Management Team, these levels of savings cannot be delivered under the current organisational arrangements.

Nevertheless, it is fully recognised that the revised structure at Grade 11 and above contained within this report will clearly have a significant impact on individual staff who are unsuccessful in being appointed to a post in the new structure. In addition to the approach to voluntary redundancy, a comprehensive package of staff development and support which has been put in place under the theme of "Supporting Your Future". This package of support provides peer support, networking opportunities and training to staff to help them make informed choices about their future and to support them in the recruitment process should they wish to remain with the Council.

A core programme for the following three topics has been developed:

- "Pushing the boundaries and taking control", which focuses on personal resilience and provides practical tips and guidance to help staff respond positively to events;
- "You are unique sell yourself" which provides opportunities for staff to identify their transferable skills and prepare for job applications;
- "On line tools to increase your business profile" which encourages staff to look at the use of technology and how it can support them to find alternative work.

To date, 2098 places have been taken up.

In addition to this core programme we are working with Lancashire Adult Learning, Preston College and UCLAN to offer additional support which includes workshops and individual sessions covering:

- 1 to 1 careers advice sessions;
- Supporting Your Next Career Move;
- Interview skills;
- Financial Planning;
- Self-employment;
- Pensions and Pre-retirement

We are also working on:

- providing support for staff displaced as a result of stage one;
- support for staff at Grade 10 and below which will have some similarities to those made available for staff in phase 1 but because of the size and nature of the group may include additional opportunities. Its proposed to make these available early in 2015;
- support for staff at Grade 11 and above who have been appointed to posts in the new structure from 1 April 2015 as they take up their new roles.

As explained in Section 6 above, the recommendations to Cabinet also include a proposal to establish an Employee Welfare Team, to be established with immediate effect, in advance of the transformation timeline, to provide support to employees during the transformation process.

Financial implications

This decision will result in cost savings to the County Council of £11.4m per annum (38%), contributing to our savings targets of £300m.

Equality and Diversity Implications

Section 149 of the Equality Act 2010 sets out the equality duty that public authorities must comply with. This duty requires the decision maker to have due regard to: the need to eliminate discrimination, harassment, victimisation or other unlawful conduct under the Act; to advance equality of opportunity between persons who share a "protected characteristic" and those who do not share it; and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

An Equality Analysis is set out at Appendix 'D' to this report which provides a detailed explanation of what the duty requires and which analyses the potential impact of the recommendations to Cabinet. Whilst the Analysis notes a disproportionate impact on males within the Grade 11 and above cohort, this does not amount to unlawful discrimination and in view of the need to achieve significant savings on employee costs it is considered reasonable for the proposals to be recommended to Cabinet for approval. Similarly whilst the overall effect of the restructure may have a disproportionate impact on women, this simply reflects the makeup of the Council's workforce as a whole and again does not amount to unlawful discrimination.

The Equality Analysis has however also identified implications for a number of groups of staff with protected characteristics, for example disabled employees, and the proposals relating to the recruitment process take into account these issues and mitigate any potential adverse impact to ensure that the staff concerned are not adversely affected as a consequence of their protected characteristic.

As regards the potential impact of the proposals on service users and residents of Lancashire, the proposals are intended to ensure that the new, smaller Council is

able to continue to deliver high quality services and it is therefore not considered that there will be an adverse impact.

The effects of the proposals will be monitored against a range of indicators and the Equality Analysis updated accordingly and reported back to Cabinet where that is necessary.

Human Resources Implications

Overall, the new organisation will have 157 fewer posts at salaries equivalent to Grade 11 and above. This represents a 28% reduction in the number of posts in scope at this stage of the reorganisation within the leadership and management structure of the county council.

We are committed to reducing employee numbers on a voluntary basis. Therefore, subject to a sufficient number of volunteers coming forward by 31 March 2016, it is proposed that no employee will be made compulsory redundant during this period. This will mean that if employees find themselves without a post prior to April 2016, they will remain subject to redeployment during this period until March 2016. It is expected that it will take until March 2016 to make all appointments to the new establishment.

Whilst it is not possible to give assurance with respect to employment after 31 March 2016, the approach agreed by Cabinet provides employees with a degree of security and clarity.

This restructure will require the establishment of new posts identified in Appendix 'A' to this report and the disestablishment of all posts at salaries equivalent to Grade 11 and above, unless they are identified as being out of scope.

Further guidance in the form of a "How To" guide will be published, providing further information for managers and employees on the anticipated timescales and approach to recruitment to the new structure. This guidance will continue to be refreshed as appropriate and provide employees with as much information as necessary to support them through the process.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
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N/A		
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Reason for inclusion in Part II, if appropriate		
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