



Frequently Asked Questions of Barnet Council's Future Shape



**European Services
Strategy Unit**

(Continuing the work of the Centre for Public Services)

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The **European Services Strategy Unit** is committed to social justice, through the provision of good quality public services by democratically accountable public bodies, implementing best practice management, employment, equal opportunity and sustainable development policies. The Unit continues the work of the Centre for Public Services, which began in 1973.

Frequently Asked Questions of Barnet Council's Future Shape

Barnet Council's Future Shape programme is currently examining options for the provision of a wide range of services. The Council is excluding in-house provision in principle and is constructing barriers to a genuine assessment of the potential of this option.

Staff have raised a number of questions in meetings and presentations on the future of Council services. Some arise from statements made by senior officers in staff presentations and reports. They require a response and explanation.

1. Can in-house services innovate on the scale required by Future Shape?

The Council has failed to engage with staff and trade unions to explore their ideas and proposals for innovation and service improvement, despite being urged to do so (Barnet UNISON Briefing No 5, 2008).

The council has spent £2.5m on Future Shape consultants but what has been achieved? These scarce resources would have been more effectively spent on developing and improving services with staff and trade unions. It could be started today. However, the Council continues to engage consultants claiming they are 'independent' and that Council staff do not have the required skills to carry out the work. This is not the case.

None of the current projects – the Regulation bundle (planning, environmental health, trading standards), Adults, Hendon Crematoria and Cemetery, Transport, Support Services and Customer Services, develop the One Barnet concept. They simply adopt the outsource contract model. The opportunity to develop a more innovative approach will be lost.

2. Surely only the private sector can achieve the 30% - 40% cost savings required?

Firstly, 30% - 40% savings cannot be achieved whilst maintaining the current level and quality of services, irrespective of who delivers the service.

Secondly, the notion that new levels of innovation can be introduced into service delivery at the same time as achieving this level of savings is not credible. Innovation is being used as a cover to engineer drastic cuts and reductions in provision and quality of services. It is disingenuous to claim otherwise.

Thirdly, there is no evidence that this level of cuts is needed. The figures have been ratcheted up from the 15% - 20% level in a matter of weeks. A higher level of cuts is a consequence of the Conservative/Lib-Dem coalition government choosing a rapid reduction in the deficit. Many economists argue that a longer period would be better for the economy, employment and public services. The coalition government also chose to target the bulk of the deficit reduction by reducing public spending but could have used progressive taxation policies to reduce the level of public spending cuts.

Fourthly, cutting existing private and voluntary sector contracts by 30% - 40% will almost certainly decimate the provision and quality of Council services.

Finally, it is important to remember the cause of the biggest financial crisis since the 1930s – market failure caused by complex financial derivatives, deregulation, unsustainable levels of consumer debt and ineffective monitoring systems.

3. Does the Council have to change the Council's organisational 'silos' in order to integrate services?

Council services can be organised in various ways, there is no one ideal structure, and each has its merits. The 'silo' criticism is being exploited to suit the outsourcing agenda. The private sector also operates in sections, divisions and directorates – they have their own more rigid silos in tiers of subsidiary companies that allow them to transfer costs, risks and taxation liabilities between companies.

Replacing the existing structure with contracts merely creates a new set of problems. It creates a labyrinth of contracts with separate legal responsibilities, the separation of client and contractor, a contract culture and the task of managing and monitoring contractors. Many contractors will be transnational companies that have their own systems and practices, legal advisers and vested interests. This is likely to make the coordination and integration of services more complex and difficult. If other public sector bodies in Barnet adopt the same policies, the One Barnet concept will disappear.

Contracts are not the solution to silos because they create another set of even more complex problems.

4. Is it true that the private sector can more easily raise capital in these difficult times?

This is a red herring because the private sector does not fund investment, it merely finances construction or the purchase of equipment and is repaid in full from the Council's revenue budget. In effect, the private sector provides a loan, a debt that has to be repaid. Private sector finance is always more expensive, for example in PFI contracts. Even a small element of front-loading (for example by funding a new call centre) as part of a long-term contract will prove costly for the Council. So given the Council's financial constraints, private finance is not a solution.

5. Does Future Shape require radically different delivery models that cannot be delivered by an in-house organisation.

Senior managers are making crude assumptions about the deliverability of services. Firstly, the Council must decide the scope and quality of services it must deliver to meet local needs and prioritise resources accordingly. Secondly, it must decide how these services are delivered. Thirdly, it must decide who can most effectively and efficiently provide these services.

But Barnet Council is doing this process in reverse – putting the cart before the horse! It is, in effect, making options appraisals redundant by selecting

outsourcing/privatisation options before the appraisal starts – or engaging management consultants who will deliver the ‘right’ result.

6. Is Barnet an ‘in-house Council’ and does this have to be reversed?

This is a crude and simplistic approach to public management. If outsourcing has so many advantages, then why did the Conservative administration not outsource immediately it regained political control of the Council in 2002? Deciding who delivers services is only one part of the decision making process.

There is no legal requirement to have a particular percentage of services delivered in-house or outsourced. But Elected Members do have a fiduciary or legal duty to obtain best value for money taking into account all the costs, benefits and impacts.

7. Is it costly to prepare an in-house option and bid?

The cost of developing an in-house option is very small. An in-house option is a proposal drawn up by management and staff to deliver a service, taking account of future needs, innovation and improvements, corporate policies and resources. It is not a ‘status quo’ or ‘do nothing’ option. A good manager, supported by staff and trade unions, could readily prepare an in-house option.

Preparation of an in-house bid requires more resources but the economic benefits outweigh the costs (Barnet UNISON, 2010). The main cost is officer time in preparing a bid.

8. Is partnership working with private firms, social enterprises and community organisations the way forward?

Partnerships = contracts. Every partnership is based on a contract between the Council and the provider. The idea that ‘partnership working’ is different is simply incorrect.

Most major contracts will be with national or transnational companies. It is disingenuous to believe that social enterprises and community organisations will be able to bid for large contracts. They do not have the experience, knowledge, financial backing, track record and resources to undertake the delivery of complex public services. They do not even have the resources to submit comprehensive and sustainable bids - the cost of submitting a tender and engaging in the procurement process can readily cost £400,000 - £500,000 or more on a large contract. These costs are not refundable and have to be absorbed into the normal cost of ‘doing business’. This is another reason why it is naïve to promote social enterprises and community organisations as being a panacea for public services.

The Catalyst/Fremantle residential care partnership could cost the Council an additional £10m, nearly £1m in legal fees whilst new build projects have suffered long delays and staff have had to endure savage cuts in their terms and conditions for over three years. So much for partnership working.

9. Will the Council obtain greater experience and knowledge by outsourcing to specialist firms dedicated to particular services?

All the firms who will be bidding for the larger Council contracts provide a wide range of services. Just take a look at any of their web sites – they work in both public and private sectors and across all parts of the public sector. The top 100 FT ranked firms are in that league precisely because they are multi-service, high turnover firms. They do not specialise in any one service or sector.

The private sector claimed to specialise in information and communications technology but their track record of 105 public sector contract failures in the last decade – 30% cost overruns, 33% delays and 33% contract terminations speaks for itself (Whitfield, 2007). Of course the public sector should draw on private expertise but this must be done incrementally and carefully controlled and monitored. Outsourcing the entire service is rarely the solution.

All organisations need to draw on specialist advice from time to time and must have agreed procedures for engaging and managing consultants.

10. Are the changes necessary because of a ‘new relationship with citizens’ under the Future Shape programme?

No. The Council is imposing new service delivery provision without little or no engagement with service users and community organisations. There has been scant involvement of service users and community organisations in options appraisal and Future Shape. This makes a mockery of the claims of a ‘new relationship with citizens’.

The idea that private contractors will be ‘advocates’ for service users and bring a ‘new insight and intelligence’ about their needs whilst implementing 30% - 40% cuts is both naive and shows how little the Council understand the private sector.

Barnet trade unions support increased involvement of service users and community organisations in the planning, delivery and monitoring of services. However, to date there is little evidence that this is what the Future Shape ‘new relationship’ means.

11. What does ‘fit for transfer’ mean?

The Adult Services options appraisal concluded that the service is ‘fit to transfer’ – it implies that the service is ‘ready’ for transfer to another organisation or company. This options appraisal also illustrates how the Council is engineering the outsourcing of services.

The Council has not proposed a new relationship with staff but instead decided that they are ‘fit for transfer’ to a new employer with minimal protection of terms and conditions and pensions.

12. Why is the Council reluctant to support TUPE Plus in contracts?

The Council has not given reasons for their position but agreed at the Corporate JNCC on 12 July 2010 to respond formally on TUPE Plus by September 2010. Comments made to date indicate that some officers regard TUPE Plus as being 'too expensive' and the Council may not be able to achieve the targeted level of savings. Some have expressed concern that it might deter some firms from bidding for Council contracts.

However, the cost of TUPE Plus is frequently overstated and many of the clauses can be implemented at relatively low cost. Council staff are an asset and workforce development is widely acknowledged as an essential part of public management. TUPE Plus is a key tool to avoid the development of a two-tier workforce.

Unfortunately, the Council has adopted a strident attitude to transferred staff in previous transfers, believing that the Council has no employment responsibility once staff transfer to a new employer. This is summed up in the response to a question about Fremantle care staff:

"The Council is not involved as it transferred the staff over 5 years ago and does not engage in third party employer/employee industrial relations. The Council's sole concern is to ensure the welfare of residents in the Homes and is content that this is secured" (Edgware, Burnt Oak & Mill Hill Area Forum, 26 October 2006).

The claim that outsourcing and privatisation will mean better career opportunities for staff, greater access to training, flexible benefits with less bureaucracy and greater empowerment (Barnet Customer Services presentation, 2010), is not borne out in the track record of strategic partnerships (www.european-services-strategy.org.uk). A few officers and managers will benefit but they will be in a minority.

13. But surely the Council has got a comprehensive procurement policy and rigorous method of options appraisal?

Unfortunately, the Council lacks a comprehensive and rigorous approach to service review, options appraisal, the preparation of business cases and the procurement process. There is a lack of commitment to adopting best practice, inconsistency, and superficial evaluation of options and impacts. This gives the impression of being a deliberate strategy to drive services into the market.

Barnet trade unions have produced a draft corporate procurement policy, a good practice transformation toolkit, protocols and briefings setting out best practice.

14. What will happen to Council assets?

There is a real danger that Council assets – land, buildings and equipment - will either be transferred to the private sector for a peppercorn rent or sold at a significant discount. Fair or market values is rarely achieved when assets are traded as part of larger contract negotiations. There are also questions about whether they will be returned in good condition once the contract is concluded.

15. Will the Council's interests be protected by regular monitoring of contracts and Overview and Scrutiny Committee assessment?

Barnet Council's track record in monitoring contracts is poor – the Fremantle Care and the cleaning contracts are just two examples.

There is no evidence that the Council has monitored of implementation of TUPE and contractor employment policies, despite the requirements of the Best Value Code of Practice on Workforce Matters in Local Authority Service Contracts.

A radical overhaul of Overview and Scrutiny Committee is required and the Committee given the resources and power to investigate and challenge the effectiveness, efficiency and equity of policies and practices.

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