



London Borough of Barnet

Future Shape of the Council

Comments on Phase 2

Cabinet and Interim Reports

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European Services Strategy Unit

(Continuing the work of the Centre for Public Services)

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Recommendations

We recommend that the Council:

1. The Council provides a **good practice** guide to the consolidation process plus corporate good practice **protocols** and **templates** for improvement initiatives, options appraisals and business cases for the consolidation process.
2. Staff and trade unions are engaged in the **consolidation** process with a jointly agreed corporate protocol setting out good practice participation and reporting mechanisms.
3. The trade unions should also have **membership** of each of the Future Shape groups so that they can contribute to the next stage of their agenda.
4. The Council makes a commitment to in-house provision as an integral part of Future Shape, which could include the submission of in-house bids in the commissioning/provision stages.
5. The Council makes a commitment to TUPE Plus and secondment employment options and other aspects of the employment charter.
6. Council agree a joint visit with the Trade Unions to Newcastle City Council to view their innovative approach to delivering efficiencies and effective public services.
7. The Trade unions request a joint delegation of Chief Executive, Leader, Leads of all Public Sector bodies in Barnet, Trade Unions leads, Residents/Service Users, Carers, Voluntary Sector seek a meeting with Prime Minister to urgently review funding for public sector bodies in Barnet.

Analysis of the Future Shape of the Council report to Cabinet, July 2009

“Whereas before we have been focussed on what the Council will end up looking like, if we want Council activity to be shaped by citizens, then right now, we do not know what this ‘end shape’ will be.” (para 3.4 page 21)

Introduction

The trade unions welcome some of the developments and changes made in the second phase of Future Shape. It is our firm belief that trade union and community engagement is vitally important to make the process of consolidation, commissioning and provision as effective as possible. The Cabinet Report gives the impression that some Future Shape groups appear to be in the early stages of commissioning yet the consolidation process has not started.

This report makes a number of recommendations to improve accountability and transparency of Future Shape. Staff, trade unions, community organisations and service users need assurances that Future Shape is a rigorous and comprehensive approach to sustain public services and not simply using the fiscal crisis to further an outsourcing and privatisation agenda.

One public sector approach

We believe the concept of a ‘one Barnet public sector’ has many advantages if it is approached on the basis of:

- improving democratic accountability, participation and transparency.
- more integrated services.
- better use of public assets and multi-use sites and facilities.
- scope for shared services.

Reversing the previous fragmentation of public services into separate quangos, arms length companies, trusts and joint ventures will produce benefits (It appears the ‘end of quangos is nigh’ if recent announcements by both Gordon Brown & David Cameron are to be believed). If the Council really does put *“democratic accountability at the heart of it all”* (para 9.4, Cabinet report) this could **significantly enhance** local governance. It would have to go hand in hand with practical arrangements to give citizens *“much greater involvement in designing services and actively participating in improving their lives and Barnet”*. A new approach to transparency and disclosure will be needed to facilitate participation.

Vehicle concept change

We welcome the conclusion of the Vehicle Group that *“a single ‘vehicle’ for the delivery of all Council services....is not feasible”*. This was the centrepiece of the Future Shape Cabinet report in December 2008 and appeared to be imposing an organisational model prior to a comprehensive options appraisal on the future responsibilities, organisation and structure of the Council without the participation of public sector partners, service users, staff and their representative organisations.

Alignment with Sustainable Community Strategy

The Future Shape proposals need to be closely aligned with the themes and ambitions in Barnet's Sustainable Community Strategy 2008-2018 and the Action Plan 2008/09 – 2010/11, in particular how each proposal will contribute to the local economy and community well being.

The 'Total Place' approach advanced by the government's Operational Efficiency Programme affords an opportunity to improve frontline delivery, with more rational use of public assets and shared service delivery. Although Barnet is not one of the 13 pilot areas, the Council is in a strong position to establish good practice in the next phase of Future Shape.

Drive for efficiency *and* effectiveness

The economic and fiscal crisis requires the Council to seek further efficiencies but this should be in parallel with a drive for **effectiveness**. Efficiency alone is rarely adequate and frequently ends up focusing on short-term financial savings that have negative consequences for service delivery and unforeseen financial impacts.

Three-stage process of consolidation, commission and provision

A phased approach to the new Future Shape Programme of consolidation, commissioning and provision is another welcome change from the apparent rush to outsource and privatise service evident in the previous Cabinet report. The options appraisal of Cemeteries and Crematoria demonstrated the significant advantages for the Council in adopting a rigorous and comprehensive approach to protecting existing financial income and examining future options.

The consolidation process should include:

- Staff and trade union participation in the consolidation process with a jointly agreed corporate protocol setting out good practice procedures and reporting mechanisms.
- A commitment to continuing in-house provision of services on value for money and public interest terms.
- A commitment to transparency and disclosure so that staff and trade unions have confidence that the consolidation process is genuine.
- Jointly agreed corporate best practice templates to ensure improvement strategies are fully addressed, options appraisal and business cases
- A commitment to TUPE Plus and secondment employment options and no compulsory redundancies.

The trade unions believe that a clear commitment to these policies is essential to assure staff that the process is rigorous and that their ideas and involvement in service improvement will not simply be used to prepare the ground for the private sector. A **lack of confidence** in the process will almost certainly lead to loss of morale and motivation and a potential exodus of stilled and experienced staff from the Council.

In-house provision

In light of our comments in the previous paragraph there appears to be confusion in the Council's approach to Future Shape, particularly over the role of in-house options

and provision. The Cabinet report refers to *“the next phase of the Future Shape Programme delivers robust business cases that drill down through the PwC analysis and incorporate market testing”* (para 6.1). This is what we meant by our comments about moving to commissioning before consolidation; because consolidation could conclude with a service being retained in-house without the need for a business case or market testing.

The trade union briefings published in autumn 2008 and our analysis of the first Future Shape Report to Cabinet in December that year made clear our commitment to efficient and effective services in Barnet. Virtually all the national good practice guidance and case studies demonstrate the important role of staff and trade unions in the reform agenda. Similarly, there are many examples nationally (such as school meals and hospital cleaning) where the desired level of efficiency and effectiveness of improvements have not been achieved because of a dogmatic approach to outsourcing and partnerships.

The discussion on in-house/outsourced services in the Future Shape Interim Report (para 5.3, Transact Group) is limited and appears to take the position that services should only be provided in-house as a ‘strategic imperative’ or last resort because the private sector could not or did not want to deliver services.

We believe that the Council must, as a priority, clarify the future role of in-house provision in Barnet to set the terms of the new relationship with citizens and with staff and trade union involvement in Future Shape. Clarity is needed in the use of the term ‘partners’ because it means different things to different people, it describes other public sector bodies in Barnet and it describes private and voluntary sector contractors, Barnet has had it’s fingers burnt with ‘partners’ in the recent past.

Procurement and contracting policies and skills

The trade unions welcome the recognition that support will be needed for Member-service user relationships in casework and community engagement (para 4.4) and the need to develop the Council’s procurement expertise. Trade union commitment to **improving the efficiency and effectiveness** of services and rigorous assessment of options is demonstrated by our involvement in Cemeteries and Crematoria options appraisal.

The trade unions are committed to increasing their skills to more effectively participate in the consolidation, commissioning and provision stages. We are currently organising a **two-day** training course on **commissioning** in Barnet.

Staff and trade union engagement

The trade unions welcome the development of a **‘people workstream’** and organisational development strategy. This workstream must develop the perspectives and skills of all staff, not only senior and middle managers.

Furthermore, the *“commitment to good employment practices and staff development”* must apply to all staff, not just with reference to *“partnership arrangements”* (para 6.2.2, Cabinet Report). This can most effectively be achieved by the Council agreeing to TUPE Plus and secondment options (Barnet UNISON, 2008). The continuing lack of commitment to these options and to pensions protection could seriously undermine the Council’s strategy and **morale** of staff.

The trade unions welcome the statement that the any proposed change in directly employed staff will trigger an assessment of implications for the Council's Pension Fund (para 6.1).

Community engagement

“Whereas before we have been focussed on what the Council will end up looking like, if we want Council activity to be shaped by citizens, then right now, we do not know what this ‘end shape’ will be.”(para 3.4 page 21)

The report goes on to state *“citizens will have a much greater involvement in designing services and actively participating in improving their lives and Barnet”* (para 9.4). The trade unions welcome both statements.

There is a degree of consensus between the main political parties nationally on the need for greater community involvement. However, the Cabinet and the Future Shape Interim reports do not provide any indication about how this policy will be put into practice

The Future Shape Interim Report refers to the ‘new relationship with citizens’ as including ‘encouraging self-help’ and changing ‘harmful behaviours’. Whilst they may be part of the citizen engagement agenda, the priority must be to focus on practical and effective methods of engagement and participation.

Basis of savings estimates

Financial savings are identified for four Future Shape Groups. Whilst understanding the financial imperative to make savings it is important that there is transparency about these figures and they are supported by evidence. The savings figures were not available in the reports of the Future Shape groups on the Council's intranet. This leads to questions about the evidence base, accuracy and sustainability of these savings figures, which should be treated as **“early estimates”**.

Property Group: £1.4m and £2.4m gross cashable savings per annum, rising to between £2.5m and £4.9m cashable savings per annum through a partnership with the private sector.

Transact Group: savings between £4,0m and £5.8m per annum in addition to £0.4m - £1.1m per annum of income generation.

Support Group: up to £2.3m gross cashable savings per annum “with the opportunity to improve on this, up to £4.4m per annum through partnership and potentially more through trading.”

Access Group: savings up to £2.3m per annum.

These figures raise a number of important issues:

- How were these early estimates calculated?
- Where is the evidence base?
- Are they supported by each Future Shape group?
- How would the investment needed to deliver these savings be financed? (*“early estimates suggest that £1m-£2m”* para 2.3).

The Cabinet report refers to the use of activity based cost analysis using data provided by staff about the way they spend their time. This evidence needs to be fully validated and is only one method of assessing potential cost savings.

Risks

The risk that outsourcing, strategic partnerships or joint ventures do not achieve the desired level of savings **is omitted** from the Risk Matrix, Appendix 2 of the Interim Report. The matrix identifies the risks associated with set up costs, procurement skills, legal issues but two important types of risks are omitted.

Firstly, there is a risk that the delivery models themselves, irrespective of the procedures adopted by the Council, fail to deliver the desired level of savings. This could arise from misinformation or exaggerated claims about the savings achieved by other local authorities and/or by the contractors appointed by Barnet failing to achieve the expected level of savings. Since **savings targets** frequently become embedded in budget planning at an early stage, failure to achieve them at the operational stage of contracts normally has a knock-on effect on other services. The Cabinet report refers to **business continuity risk** and the **risk of financial control failures** (para 6.1) but these are not included in the risk matrix.

Secondly, there is no reference to the risk of **miscalculating transaction costs**, in particular contract management and monitoring costs. This has been a problem in previous outsourcing contracts, a point highlighted by both PriceWaterhouseCoopers and the trade union procurement reports in December 2008. The Cabinet report recognises that the Council *“may need to invest in enhanced contract monitoring arrangements”* (para 6.1). The Council also has an obligation under the Code of Practice on Workforce Matters to monitor employment policies and practices on outsourced contracts.

It is essential a **full risk matrix** is drawn up covering the consolidation, commissioning and provision stages.

Benchmarking

We are concerned about how Barnet is compared to other local authorities. This will also apply to other public bodies in Barnet as their activities are examined under the **‘one public service’** approach. Benchmarking is a useful tool when the performance of comparable authorities is compared. We have some concerns with the use of comparators in the Cabinet and Interim Reports.

The Cabinet report refers to PwC savings figures *“based on around 20 other councils they are currently working with”* (para 6.1) and to *“10 authorities”* where PwC have undertaken work on assessment. There are clearly advantages to draw on this evidence but the composition and transparency of the benchmarking or comparator group is crucially important.

The Future Shape Interim Report states: *“Currently a large proportion of Council services are delivered in-house compared to some other comparable local authorities; the only notable exception being Adult Social Services where the council largely operates as a service commissioner”* (para 5.3). It is worth noting that most of the outsourced contracts in Adults are presented as risks in every Cabinet Resources Committee. No evidence is supplied regarding the basis of this comparison.

Comment on Future Shape working group proposals

Transact: The language used – “*maturity of the provider market*” – appears to be a market driven approach, which has already selected ‘bundles’ (**integrated service packages** would be a better definition). This prejudices that “*a number of alternative service models*” could be the way forward for some of these services. This approach is likely to make the ‘consolidation’ process more difficult because most staff will perceive they have already been bundled into a potential contract. They may be reluctant to participate in consolidating the service if they believe the purpose of this is to help outsourcing and speed up their transfer to a private contractor. The recommendation to proceed to a soft market test (page 33) underlines this position.

The report does not specifically refer to a strategic service-delivery partnership or PPP but it appears that is the intention. There is even uncertainty over the recommended waves and ‘bundles’ because the report states “We are recommending a waved approach to developing alternative delivery models for specific services or, where appropriate, larger service bundles.”(p.g. 32). This would appear to confirm community and service needs have taken second priority to bundling together services for the market.

Support: “**How do we build a case when the track record of trading organisations is not good?**” (page 55)

This group also appears to have **jumped** the consolidation process and opted for a “*different delivery model utilising the skills of a strategic partner*” (page 30). The assumption that a strategic partnership can deliver £4.4m efficiencies compared to £2.3m from in-house improvement lacks an evidence base. The group also appears to have a strong bias towards a strategic service-delivery partnership model and the same points apply as those under the Transact group.

This group refers to choosing a model, which allows the Council to trade with other public and voluntary sector bodies and potentially the private sector. Whilst this approach has merit, the Council should be aware that some **35** strategic service delivery partnerships have to date failed to attract any significant partners or contracts once they have been established and have failed to achieve job creation targets. All the Trade Unions are saying is that this model should not preclude in-house provision.

Property: This group proposes the creation of a central single property unit for estate, capital projects and facilities management. It also examined engaging the private sector to manage routine estate management activities and facilities management including the commercial portfolio. It also suggests that the Council consider a Strategic Property Partnership to “*drive down revenue costs and realise value from the Council’s operational assets*” (page 28).

Access: The consolidation of front office services into a public sector Customer Service Organisation is the main recommendation from this group. This proposal has merit and would enable the Council to work closely with other public sector bodies in Barnet to improve and integrate front office services. Again, we are concerned that the group is already examining other delivery models such as co-ownership and joint ventures in addition to the Council remaining the main delivery model.

Assessment: The groups work on the examination of assessment activity and early intervention will continue and no recommendations were made at this stage.

Strategy: The development of a common intelligence function across public service organisations in Barnet could have an important role in assessing the impact of policies and projects on community plan themes and objectives.

Vehicle: This group is developing the vehicle concept and “*a blueprint for a new approach to commissioning*” (page 40) focused on addressing disadvantage in Barnet.

We are concerned that some of the groups appear to be focused on both examining the scope for in-house efficiencies *and* developing alternative service delivery models. There is a real danger that the work on the **consolidation process** is watered down and is overtaken by the work on alternative delivery models.

Questions

There are several important outstanding issues, which we have put in the form of questions:

- What is the **evidence base of the projected savings figures** from the Future Shape groups?
- “Identification of services that could provide quick wins” (page 26) **What is meant by ‘Quick Win’?**
- “Non-core services for which there is a ready market” (page 26) **What is meant by non core?**
- “The group agreed that support services in 2014 will need to respond to a messier environment with multi-partners and customers across a wider base, mainly accessing services remotely.” (page 30) **What does this mean?**
- Is Barnet Homes future now formally tied into Future Shape and does this mean the Council is considering a stock transfer? (the Housing Stock is included in Bundle 3: All Housing Services).

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