

Salford Social, Economic & Environmental Audit

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Executive summary

Summary of objectives

This audit was commissioned by Salford UNISON in order to provide detailed evidence of the social, economic and environmental impact of options for Corporate and Personnel Services on the community, local economy, the labour market and the sub-regional economy.

The four options

Option 1: In-house - Corporate and Personnel Services remain in-house with hardware, software and training provided by a mixture of public and private sector suppliers.

Option 2: Public sector partnership - This is an inter-authority model, Salford works cooperatively with other authorities in the Greater Manchester sub-region.

Option 3: Public Private Partnership - A Joint Venture Company (JVC) would be established by the city council and a private contractor. Staff would either be seconded or transferred from the local authority to the JVC.

Option 4: Outsourcing of Corporate and Personnel Services in a strategic service delivery partnership with a private contractor - The contract would probably contain a commitment by the contractor to open a regional business/call centre if it was successful in winning additional work from local authorities and/or other public bodies.

Profile of Corporate and Personnel Services staff

After making various adjustments to take account of recent staffing and organisational changes, the audit is based on a base total of 617 staff. The vast majority of staff work full time (92.3%) - in contrast to the city council staffing structure where 35% of staff are part-time employees. A majority are female (57.5%). Only in the IT services is there a majority of men. In both financial and legal services over 60% of the staff are women. However, seven out of ten staff on Scale 1 - 3 are women whilst only 12% of the workforce are women on SO2 or higher grades compared to 21% for men.

Residential location of city council staff

Just over half (54.6%) of Corporate and Personnel Services staff reside in Salford compared to 57.5% of all council staff. Another 17.1% of staff reside in postal districts adjacent to the Salford boundary in other local authorities and a further 28.2% of staff live in other parts of Greater Manchester and the North West.

Effect of employment change on the local economy

The effect of employment change was calculated based on detailed experience gained from work with other local authorities, which had implemented similar options.

Employment will be affected in two ways. Firstly, by reductions in staffing levels arising from reorganisation and restructuring. These range from a loss of 62 jobs in option 1 to 93 job losses in options 2 and 3 rising to 123 in option 4. Secondly, changes in local authority employment or the transfer of staff to the private sector will have a knock-on effect on jobs in the local economy. Option 1 will lead to a further loss of 9.5 jobs in local private sector services, rising to 14, 21.5 and 26 job losses respectively for options 2, 3 and 4. The total job losses range from 71.5 for option 1 to 149 for option 4 - summarised in the following table:

Summary of employment impact

Option	Council job losses	Local economy job losses	Total Job losses
1. In-house service	62.0	9.5	71.5
2. Public sector partnership	93.0	14.0	107.0
3. Public-private partnership	93.0	21.5	114.5
4. Outsourcing	123.0	26.0	149.0

Option 4 will have an additional negative impact by increasing wage inequality since higher paid staff are likely to benefit from private sector wage increases, whilst the bulk of the staff on lower salary scales are likely to face wage cuts. It will contribute to the emergence of a two tier workforce and reduce employment and training opportunities.

- there is an inverse relationship between where council employees live and the wards with highest level of unemployment.

- 70% of job losses are in wards where unemployment is below the Salford average, particularly Swinton and Pendlebury and Walkden/Worsley - see Table 3.1.

- job losses in the local economy are likely to be the reverse of city council job losses because they will be concentrated in neighbourhoods with high levels of service sector employment.

Social impact

Some 14% of the resident population (aged 16 or over) in Salford is dependent on income support, compared to 8% for Great Britain. There are several wards where the level of dependency exceeds twenty percent. National data indicates that, on average, 70% of council tenants are in receipt of housing benefit. There are six Salford wards where over forty five percent of households rent from the city council or housing associations.

A substantial proportion of housing benefit claimants are ill or disabled and rely on benefit to pay their rent. Non-payment or incorrect payment caused by long delays and backlogs in processing benefit applications would have a spiralling negative effect for many Salford residents. Long delays in payments to housing associations and social landlords cause financial difficulties which ultimately impact on all tenants.

Health impact

Option 4 (outsourcing) would have a negative effect on the health of Salford citizens by increasing job losses and unemployment has a negative effect on health as demonstrated by various studies. It would also increase casualisation - a lack of security of employment both increases stress at work and increases pressure on maintaining employment and living standards. Failures in housing benefit payments and rebates causes financial problems, fear and insecurity from the threat of eviction, making ends meet and debt accumulation.

Regional impact

The first report, *Privatising Salford?* identified a number of limitations to the claims usually made for job creation in connection with regional business/call centres. In the subsequent eight months since the original research was carried out, no evidence has been made available to alter those conclusions. The ability of business/call centres to win work from other local authorities in the region is unproven for several reasons:

- * Most of the larger outsourcing contracts or strategic partnerships, for example, Lincolnshire, Middlesbrough, Bedfordshire and Liverpool are new and untested.
- * The record of contractors such as Capita and CSL, which won large IT and financial services contracts in the late 1990s and established business centres have not been very successful. Firms have not won major new contracts. For example, CSL established a national IT processing centre and a regional Exchequer Services business centre after it won the Sheffield IT and financial services contract in 1998. The firm recently announced it was making 65 staff redundant (despite a continuing backlog in housing benefits). CSL is cutting, not creating jobs in Sheffield.
- * Sustainability is another important factor. There are already two centres in the region, Liverpool (BT) and Blackburn (Capita). Whether Salford would gain in the long term from a regional centre is highly questionable.
- * The creation of regional business centres which will inevitably result in the net loss of jobs in the sub-regional and regional economy. One or two authorities may gain some additional employment but this will be at the expense of the region as a whole.

Equality impact assessment

Job losses are likely to be concentrated in the lower grades (Scale 1- 3), where seven out of ten staff are women. About 61% of the total potential job losses will be in female employment. Outsourcing under option 4 will, therefore, have a negative effect on council equalities policies and targets.

21 percent of Salford's population were over 60 in 1998, a significant proportion living in the most deprived wards and in receipt of income support. Outsourcing under option 4 could potentially lead to service delivery failures which would impact on the elderly. Compared to the public sector, the private sector has a poor record in implementing and/or maintaining employment disability targets, hence option 4 will have a negative impact for those with physical and learning disability. A failure in benefit services will

effect all benefit claimants and is likely to impact hardest on those with dependents, particularly children.

Environmental impact assessment

All four options will have a very limited environmental impact. The residential location of Corporate and Personnel Services staff means that job losses will be concentrated in the wards where unemployment is relatively low, and therefore unlikely to cause or contribute to environmental decline associated with increasing deprivation and inequality.

Impact on community well-being

Outsourcing will weaken and dilute the city council's power and capacity to improve the well-being of the community.

Risk assessment

Although the bulk of the risk would be transferred to a private contractor, most of the consequences of failure are borne by service users, staff and the city council. Only in seven cases would the impact be felt by the private contractor, although it would suffer other consequences such as an effect on its reputation.

Recommendations

1. The findings and conclusions of the audit should be included as a key part of the evidence for the Best Value Review of Strategic Options for Salford's Support Services.
2. The findings and conclusions should be subjected to community and staff consultation.
3. Option 1 would have the least negative impact and maximises the council's flexibility to minimise any adverse impact.
4. The city council should encourage other Greater Manchester local authorities to speed up consideration of public sector partnerships. This is not an immediate solution for Salford City Council but could offer a longer term strategy.
5. The city council should carry out further analysis if there are any proposals which change the composition of the options; such as including a wider range of services for outsourcing and/or changing the client/contractor or strategic/operational split in Personnel Services (currently assumed to be 50/50).
6. If options 2 or 3 are chosen or considered for further analysis, then the criteria and issues highlighted in this audit should be built into the procurement process, particularly the Invitation to Negotiate, award criteria and evaluation process.
7. The council should incorporate the issues identified in the audit into the monitoring and evaluation of the selected option.

8. The council should incorporate the social and economic audit methodology into the their approach to the preparation of community strategies and improving the social, economic and environmental well-being of Salford.

Introduction

In January 2000 Salford City Council considered the possible outsourcing of financial and legal services. However, the Cabinet concluded that much of the potential savings from outsourcing financial services could be achieved by reorganisation.

Salford UNISON published a report '**Privatising Salford? An Alternative to the Outsourcing of Council Services**' in December 2000 from the Centre for Public Services. The aims of the report were to assess the implications of a strategic partnership for corporate support services, to identify the costs and risks of such a strategy and to inform Elected Members and staff of an alternative approach for Salford.

The report identified ten reasons why a strategic partnership option should be rejected:

1. It would jeopardise the planned efficiency savings.
2. It would incur high cost of procurement.
3. There would be few or no additional savings.
4. There would be a high level of risk in outsourcing ICT to the private sector - remember the big problems in local authority and central government ICT contracts, the accelerating costs of projects, e-commerce failures and the collapse in technology share prices.
5. There would be a danger of being tied to one ICT provider for the next ten years.
6. E-government targets can be met without outsourcing.
7. It would mean job losses rather than new jobs.
8. TUPE offers some protection for existing staff but not for new staff.
9. It would have an adverse impact on equalities, social inclusion and the local economy
10. And last but not least, there is a viable alternative.

Objectives of the audit

The audit was commissioned by Salford UNISON with the following objectives:

- * To provide detailed evidence of the social, economic and environmental impact of options on the community, local economy, the labour market and the sub-regional economy.
- * To reinforce the case for the direct provision of council services.
- * To identify the social and economic factors which should be built into the design and planning of a procurement and/or transfer process if an outsourcing option is later adopted by the council.

Methodology

The audit involved a number of stages which included obtaining baseline employment information in Corporate and Personnel Services and the city council, followed by an assessment of the employment implications of the four options. We also obtained social and economic data, Census data and recent economic development strategy reports, which formed the basis of an assessment of the social impact and the calculation of the economic and multiplier impact of the different options under consideration by the council. The potential impact on equalities and community well-being was assessed using a comprehensive definition of well-being specially developed for the audit.

We would like to thank Corporate and Personnel Services, Salford City Council, for their cooperation and release of information.

The development of social and economic auditing

The Centre for Public Services has developed the technique and application of social and economic audits in public services: The Jobs Audit in Sheffield (1985) and a jobs audit as part of the Manchester Employment Plan (1987) which identified the important role of the public sector in the Manchester economy. A Social and Economic Audit of the Royal Hospitals Trust, Belfast (1993) assessed the impact of the planned rationalisation of specialities at the Royal and City hospitals and the impact on jobs and the West Belfast community. This was followed by an audit of the employment impact of market testing support services at the Down Lisburn Hospital (1995). The national costs and savings of CCT were calculated as part of the research for the Equal Opportunity Commission study on the gender impact of CCT in local government (1995).

The Centre has further developed the social audit technique having recently completed an equality impact assessment of the revised Capitation Formula which Allocates Hospital, Community Health and Personal Social Services Revenue Resources for the Department of Health, Social Services and Public Safety in Northern Ireland.

The four options

Option 1: In-house

Corporate and Personnel Services remain in-house with hardware, software and training provided by a mixture of public and private sector suppliers. The council's centralisation and modernisation programme continues.

Option 2: Public sector partnership

This is a inter-authority model in which Salford works cooperatively with other authorities in the Greater Manchester sub-region. Either one authority could be designated as the lead authority in each function to provide services to other authorities in the sub region or, alternatively, a new central unit might be developed to centralise operations.

Option 3: Public Private Partnership (JVC)

This option would comprise of a joint venture company established by the city council

and a private contractor. Staff would either be seconded or transferred from the local authority to the JVC. This is the model adopted by Liverpool City Council for ICT services.

Option 4: Outsourcing of Corporate and Personnel Services in a strategic service delivery partnership with a private contractor

This option assumes that a strategic service provider partnership results in the outsourcing of Corporate and Personnel Services to a private contractor. The contract would probably contain a commitment by the contractor to open a regional business/call centre if it was successful in winning additional work from local authorities and/or other public bodies.

Part 1

The employment impact of the options

The basis of the employment calculations

The employment impact of the four options has been based on the following changes to employment:

Job losses: The assessment of changes to staffing levels and to terms and conditions as a result of outsourcing (immediately preceding, at or shortly after transfer) is based on extensive research of privatisation in other local authorities together with national studies on competitive tendering, externalisation and transfers published by the Equal Opportunities Commission, the Local Government Information Unit, the Association for Public Service Excellence, UNISON and the Centre for Public Services. Two DETR-commissioned competitive tendering research studies have also assessed similar employment change.

Labour turnover in Salford: The annual turnover of the labour force is a very important factor in assessing the impact of policy options. The percentage of staff voluntarily leaving the city council in the last three years has been 12.5%, 5.75% and 9.45% respectively. In addition, between 0.24% and 3.65% of the workforce have taken early retirement. A further 0.41% to 0.84% have retired on grounds of ill-health. This gives a total staff turnover rate of about 14% in two of the last three years. The lower figure of 6.4% for 1999/2000 is clearly an exception. The average turnover of 11.6% is equivalent to changing the entire workforce every nine years. We do not have a breakdown for each council department but there is no evidence to suggest that Corporate and Personnel Services have a turnover rate which is significantly different from the overall rate.

Table 1.1: **Salford's labour turnover rates**

Performance indicator	Salford 1998/99 Actual	Salford 1999/2000 Actual	Salford 2000/01 Estimated	Top Quartile all Met Auth 1998/99	Salford 5 year target
Voluntary leavers as a % of the staff in post	12.5	5.75	9.45	n/a	5.75
Early retirements (excluding ill-health) as a % of total workforce.	1.05	0.24	3.65	0.45	0.45
Ill-health retirements as a % of the total workforce	0.83	0.41	0.84	0.35	0.35

Source: Best Value Performance Plan 2000 and 2001.

Changes to terms and conditions: Our first report, *Privatising Salford? An Alternative to the Outsourcing Council Services*, demonstrated that TUPE protection is limited and

does not protect new employees. Virtually all private firms operate a two wage structure, one for transferred staff and another lower rate with inferior service conditions for new starters. New staff are frequently not entitled to enhanced rates for unsocial hours. They receive fewer holidays, only statutory sick pay and have an inferior pension scheme, casual/temporary employment status with flexible working hours.

The new regulations governing workforce matters came into effect in March 2001 and enable local authorities to enquire about a contractor's workforce and management practices, training and development, health and safety, compliance with equalities legislation and accompanying Codes of Practice. However, they are voluntary rather than mandatory.

This audit has assumed that there will be no changes to terms and conditions of staff transferred from the local authority to a private contractor assuming that the council and private contractor agree to apply the new workforce regulations with TUPE lasting for the length of the contract. This would be supplemented by an agreement between the contractor and trade unions. Changes to terms and condition for new staff are based on the research noted above.

Emphasis on jobs

There are four important points which underpin this audit are:

Firstly, the audit focused on jobs or posts rather than Full-Time Equivalent (FTE), in other words, the number of people employed.

Secondly, the audit focused on the total number of jobs affected by the various proposals, not just the impact on individuals. Although the TUPE regulations ensure that existing staff are transferred to a new employer, this does not prevent the loss of jobs prior to transfer as a result of Voluntary Early Retirement (VER). Both result in job losses.

Thirdly, the audit focused on both existing and new employees. Most contractors operate a two tier staffing policy with all new staff employed on lower terms and conditions. Some also reduce the terms and conditions of transferred staff. The regulations enable a new employer to restructure jobs after transfer if change can be justified on the grounds of economical, organisational and technical reasons.

Finally, the audit was concerned about employment in both the public and private sectors. Changes in employment levels in the public sector have a direct impact on employment in private services in the local economy unless job losses are replaced by new similar quality employment elsewhere in Salford or Greater Manchester.

Salford City Council employment

Table 1.2 provides details of current employment levels in the main sections in Corporate and Personnel Services. The total number of jobs was 713 in November 1999 which had reduced to 689 by December 2000.

Table 1.2: Current staffing in Corporate Services and Personnel

Service	Female	Male	Total	Dec 2000
Personnel Services	92	66	158	154
Corporate Services - Finance	178	105	283	276
Corporate Services - IT	35	69	104	105
Corporate Services - Law and admin	84	42	126	129
Corporate Services - Law and admin	10	7	17	n/a
Call Centre (excluding staff transferred from IT)*	17	8	25	25
Total	416	297	713	689

Source: Salford City Council, 19 November 1999 and December 2000.

* Estimated

A number of adjustments must be made to the total number of jobs to take account of recent restructuring and centralisation of services together with internal changes which will be necessary under some of the options..

Firstly, approximately 25 additional staff were recently transferred to the call centre from social services, highways and housing services.

Secondly, some of the options would include dividing Personnel Services into strategic and operational divisions on a 50/50 basis with operational services being potentially subjected to outsourcing. This would mean that about 77 of the 154 staff (December 2000) would be retained in-house. Strategic partnerships in other local authorities have included a larger percentage of staff in outsourcing.

Thirdly, some staff would be allocated to client side functions. It is estimated that five staff in each of the four main services (a total of 20 staff) would be required for this purpose.

The final base total for the audit is 689 plus 25 staff transferred to the call centre, less the 77 staff retained in-house in personnel services, less the 20 staff retained for client functions, **giving a base total of 617 jobs**. We have assumed that the gender and grading structure of the base total mirrors that of the December 2000 workforce profile.

The city council has planned savings in Corporate and Personnel services of £1.2m and £111,000 respectively in the 2001/02 - 2003/04 period with the potential loss of six full-time equivalent posts. Since this is a very minor change in staffing levels (less than 1%) and yet to be implemented, the base staffing total has not been adjusted to take account of this change.

Gender

The gender composition of Corporate and Personnel services is 400 (58%) female and 289 (42%) male (see Table 1.3). The gender structure reveals several important issues:

* 57.5% of the combined Corporate and Personnel Services staff are women. Only in the IT services is there a majority of men. In both financial and legal services over 60% of the staff are women.

* 46.1% of the workforce are women on Scale 1/3, compared to only 20.9% men.

* 12% of the workforce are women on SO2 or higher grades, compared to 21% of men.

* Seven out of ten staff on Scale 1 - 3 are women.

Table 1.3: **Gender/grade analysis of current staff**

Service	Scale 1/2 under £11,622		Scale 3 £11,622 - £19,770		SO2/PO2 £19,770 - £23,895		PO3 + above £23,895+		Total	
	F	M	F	M	F	M	F	M	F	M
Personnel	25	28	44	15	15	10	8	13	92	66
Finance	14	9	141	39	16	24	7	33	170	105
IT	2	5	22	29	7	16	4	19	35	69
Law	13	0	46	13	14	16	11	13		
Law	10	5	0	1	0	1	0	0	94	49
Total	64	47	253	97	52	67	30	78	391	289
%	9.3	6.8	36.8	14.1	7.6	9.7	4.4	11.3	57.5	42.5

Source: Personnel Services, Salford City Council, December 2000.

Part-time staff

There are 51 part-time staff in Corporate and Personnel Services, varying between a low of 2.8% in IT and a high of 11% in Personnel with an overall average of 7.7% - see Table 1.4. In other words, 92.3% of staff are full-time employees and even allowing for a majority of part-time staff being women, a large percentage of full-time staff are women. This is in sharp contrast to the city council staffing structure where 35% of staff are part-time employees. 16% of Salford's residents aged 16 or over were employed part-time in 1991 although changes in the labour market in the past decade have increased casualisation and part-time working.

Table 1.4: **Part-time staff in Corporate and Personnel Services**

Service	No of part-time staff	% of service staff
Personnel	17	11.0
Finance	22	8.0
Law	9	7.0
IT	3	2.8
Total	51	average 7.7

Source: Personnel Services, Salford City Council

Residential location of Salford employees

Where Salford City Council staff live has an important bearing on the potential impact of job losses and changes to terms and conditions on the local economy. Personnel Services provided a print out of the residential location of all staff (excluding details of individuals) identified by post code, area, directorate and type of job from which Corporate and Personnel Services staff data were analysed separately.

The audit divided residential location into three groups:

1. those residing within Salford;
2. those residing in post codes in local authorities adjacent to the Salford boundary;
3. those residing in other parts of Greater Manchester, Lancashire, Cheshire and Derbyshire.

The division into three groups is necessary in order to assess the impact on the local economy. Staff residing in Salford can be expected to spend a substantial part of their net earnings in shops, services and entertainment in Salford. They will, of course, spend a percentage of their earnings outside Salford, for example, on holidays and purchases from stores in other parts of Greater Manchester. Staff residing in wards in local authorities adjacent to the Salford boundary are likely to spend a smaller percentage of net earnings within Salford whilst those who live in the third category will spend only a small percentage of net earnings in close proximity to where they work, mainly on lunches, transport and some convenience shopping.

Table 1.5 indicates that 54.6% of Corporate and Personnel Services staff reside in Salford with only a marginal difference between the two services. This compares with 57.5% of all council staff residing in Salford. Another 128 staff (17.1%) reside in postal districts adjacent to the Salford boundary in other local authorities. A further 213 (28.2%) of staff live in other parts of Greater Manchester and the North West.

The total number of staff in the residential location data was 747, somewhat higher than the 689 figure in the December 2000 employment data. The inclusion of call centre staff may account for the different figures. We have assumed that the distribution of residential location is the same in both cases.

Table 1.5: Residential location of Corporate and Personnel Services staff

Salford	Post code	Corporate Services	Personnel Services	Total
Swinton & Pendlebury	M27	147	22	169
Walkden/Worsley	M28	76	18	94
Eccles	M30	29	15	44
Little Hulton	M38	16	3	19
Irlam/Cadishead	M44	10	11	21
Salford	M5	12	2	14
Salford	M6	27	14	41
Broughton	M7	5	1	6
Sub total		322	86	408
% of total staff		54.9	53.4	54.6
Staff residing in local authorities (post code areas adjacent to Salford)				
Bolton	BL6	18	3	21
Bury	M25	12	5	17
Bury	M26	10	1	11
Cheshire	M31/WA3	9	4	13
Trafford	M41	6	4	10
Manchester	M3/8	3	0	3
Trafford	M41	6	4	10
Wigan	M29	36	7	43
Sub total		100	28	128
% of total staff		13.4	3.7	17.1
Staff residing in other local authorities (remaining areas)				
Blackburn/Preston	BB/PR	7	4	11
Bolton	BL1/2/3	23	2	25
Bolton	BL5/6	16	7	23
Bolton/Bury	BL7-9	12	4	16
Bury	M24	6	1	7
Cheshire	WA	17	7	24
Manchester	M14-23	14	4	18
Rochdale/Oldham	OL	15	6	21
Stockport	SK	17	7	24
Wigan	WN1-7	22	1	23
Wigan	M46	3	2	5
Other		11	3	14
Subtotal		163	48	213
% of total staff		21.8	6.4	28.2
Total		585	162	747

Source: Personnel Services, Salford City Council, 2001

Impact of labour turnover over five years

Assuming the current labour turnover rate of 14.25% continues for the next five years, up to 71.25% of the contractor's workforce would change and would be replaced by new staff who are covered by the TUPE regulations. The actual figure will be lower because some posts will have a higher turnover than others with some posts having several different staff over a five period. It is the percentage of posts from which staff leave once thus enabling the contractor to employ new staff not covered by TUPE which is significant for the audit. The audit has therefore assumed a 50% turnover rate of posts in the first

five years of a contract. In other words, by the end of five years, 50% of the posts will have new staff on the contractors own, usually lower, terms and conditions.

Employment appraisal of the options

Option 1: In-house

It is estimated that the council's centralisation and modernisation programme will result in a 10% job loss or 62 jobs. Although the individuals concerned may be redeployed to vacancies elsewhere in the city council there would be a net loss of jobs. The combined staffing level in Corporate and Personnel Services would reduce to 555 jobs. It is assumed that existing terms and conditions are maintained in this option.

The corporate knock-on effect would be limited to a small adjustment in support services to take account of the loss of jobs, representing less than 1% of the total workforce.

Option 2: Public sector partnership

The level of job losses would be similar to option 1 but adjusted to take account of an economy of scale factor depending on the number of authorities combining operations. A 15% job loss has been used for this option with no change in terms and conditions. This would result in the loss of 93 jobs reducing the in-house service to 524 jobs.

Option 3: Public Private Partnership (Joint Venture Company)

Staff would either be seconded or transferred from the local authority to the JVC. A 15% job loss has been assumed plus the private sector is likely to supply senior management, estimated at 15 senior management posts. This option will result in the loss of 93 jobs.

Option 4: Outsourcing

Based on 20% jobs losses (lower than other strategic partnerships because Salford has already started modernisation and centralisation programme), this would mean the transfer of 494 jobs to the private sector plus the loss of 123 jobs.

New staff will not be covered by the TUPE transfer regulations and it is common practice for employers to operate a two tier pay and conditions system with new staff employed on lower wage rates with fewer holidays and other benefits. It is not unreasonable to assume a 15% average reduction in pay rates for new staff and a labour turnover rate of 12.5% (assuming a slightly lower turnover rate than the average for the last three years). This implies a gross turnover rate of 62.5% over five years although the actual percentage of jobs which are affected will be less because some jobs will be subject to turnover more than once over a five year period. If we assume that 55% of jobs will be subjected to the imposition of new terms and conditions, this means that some 272 of the 494 jobs will be affected. This is equivalent to the earnings of 40.8 jobs over five years or 8 jobs per annum.

Table 1.6: **Summary of potential employment impact**

Option	Potential loss of council jobs	Jobs remaining
Option 1	62	555
Option 2	93	524
Option 3	93	524
Option 4	123	494

The next section examines the potential impact of these job losses on the local economy.

Part 2

Impact on Salford's local economy

Salford economy

Public administration, education and health accounts for 33.6% of employment in Salford (see Table 2.1). Salford's workforce in December 2000 was 10,363 (full and part-time staff) thus accounting for nearly a third of the public sector workforce in the city. The service sector dominates the Salford economy with only 15.2% of employment in the manufacturing sector. The city council is a major employer in the local economy with over ten thousand staff.

Table 2.1: **Employment in Salford** (1998)

Sector	No of persons	% of workforce
Public Administration, education and health	35,656	33.6
Banking, finance and insurance	21,341	20.1
Distribution, hotels and restaurants	19,113	18.0
Transport and communications	4,609	4.4
Energy and water	157	0.1
Other services	3,523	3.3
Manufacturing	16,155	15.2
Construction	5,365	5.1
Agriculture and fishing	199	0.2
Total	106,119	100.0

Source: Annual Employment Survey: Employee Analysis, ONS, 2000)

Impact on the Salford economy

The council staff (and their families) who live and work in Salford play an important part in sustaining the local economy through spending in local shops, pubs, leisure and other services. This in turn supports employment in these private services. Any changes in council employment levels will, therefore, have a knock-on effect on local service employment.

The loss of city council jobs will have a knock-on effect on jobs in the local economy, particularly in private services such as retailing and related services. Research has identified multipliers between 1.15 - 1.35 depending on the ratio of full/part time jobs and wage levels in the particular sectors concerned (Centre for Public Services 1987, 1993, 1995). In this instance, a multiplier of 1.25 is sustainable - in other words, for every 4 jobs lost in the city council 1 additional job is lost in private services in the local economy because of reduced spending power. The multiplier takes into account the payment of

tax, national insurance and pensions which is not spent in the local economy and the availability of benefits and redundancy payments. It also takes account of a proportion of spending outside the local economy.

The loss of spending power is not limited to the loss of jobs. Reduced pay and conditions for new staff employed on outsourced work also impacts on the local economy. For example, a 15% reduction in wages for 100 replacement staff will have almost the same impact as the loss of seven full-time staff.

Average cost per employee and high level of full-time jobs

The average wage in Corporate and Personnel Services is estimated to be £16,320 based on taking the mid point in Scale 3 and SO2/PO2, an average of £10,000 for Scale 1/2 and an average of £27,000 for PO3 and above, using the data in Table 1.3 to calculate an average wage.

Knock-on effect on the local economy

The impact of city council job losses in the local economy was calculated taking into account the residential location of council staff. The calculation assumed that staff residing in Salford would spend the national average of their net earnings in the local economy. Those residing in wards in local authorities adjacent to Salford were assumed to spend only 30% of their normal local spending within Salford and the remainder in the local authority where they reside. Those living in other parts of Greater Manchester and the North West were assumed to spend only 5% of the local spending in Salford. An employment multiplier of 1.25 was used. The calculation identified a local economy job loss of 9.5 for option 1 rising to 19 for option 4 - see Table 2.2.

The effect of changes in terms and conditions were calculated for options 3 and 4 using a five year period and applying to 55% of the staff (524 for option 3 and 494 for option 4). Based on the average wage noted above, the effect of wage cuts would be £705,000 and £665,000 gross per annum. However, disposable income will take into account income tax, National Insurance contributions and savings together with the residential location and proportion of net earnings spent within Salford. The net level is approximately half the figure stated above which will lead to a further loss of 7.5 and 7 jobs in local services respectively.

Table 2.2: Estimated job losses in the local economy

Options	Number of job losses in private services in the local economy	Impact of cuts in terms and conditions	Total job loss in private services
Option 1	9.5	0	9.5
Option 2	14.0	0	14.0
Option 3	14.0	7.5	21.5
Option 4	19.0	7.0	26.0

Geographic impact in Salford

Corporate and Personnel Service staff are concentrated in the civic centre in Swinton consequently any job losses will affect lunchtime and convenience shopping in the Swinton commercial centre. This impact could potentially be greater if, under option 4, a private contractor planned to move staff out of the civic centre and transfer them to a new business/call centre elsewhere in Salford.

Job replacement through economic development and regeneration and/or new business centre

UNISON's first report included an analysis of the often cited claims that, on the basis of large scale outsourcing of council services, a private contractor would open a regional business/call centre which would win work from other local authorities and public bodies and thus create new jobs in Salford. The report questioned the viability of this strategy and the lack of evidence from existing contracts. It also noted that call centres have a poor record in creating quality employment. Most have labour turnover rates in excess of 20%.

If a regional business/call centre was successful in winning additional work this would be at the expense of public sector jobs in neighbouring authorities. The firm would already have a core staff and economies of scale and would require fewer additional staff every time it won a new contract. This would have major implications for TUPE transfers. It would almost certainly lead to compulsory redundancies elsewhere resulting in a net job loss in the Greater Manchester economy. It may also affect Salford residents who currently work in other authorities in the Greater Manchester area.

The city council's economic development strategy has three main aims - maximising the potential of local people, supporting business development and encouraging investment in the city (Economic Development Strategy 1999/2000, Salford Partnership). Each are supported by a series of specific objectives. The objectives which have a bearing on the four options are:

Maximising the potential of local people

- * To bring the city's unemployment rate below the national average.
- * To maximise the benefits to local residents from local employment opportunities.
- * promote employment policies and practices which attempt to breakdown barriers to employment

Encouraging investment

- * promoting and supporting the digital economy

Business development

- * Supporting the development and growth of the service sector
- * Identifying the changes taking place in the local economy which affect business creation, growth and performance.
- * Maximising the benefits to the local economy from local business opportunities.

The Economic Development Strategy Targets include a reduction of unemployment

differentials within the city so that no ward exceeds 1.5 times the city average and ensuring that average income levels in the city are at least equal to the national average.

Several points arise from this audit:

Firstly, there are conflicts between economic development and corporate policies because jobs losses, as a result of internal restructuring or outsourcing, reduce the net effect of job creation. Additional new jobs would have to be created in order to retain a status quo level of employment in Salford. New jobs may also not be of equivalent quality to those being lost.

Secondly, outsourcing would undermine several of the economic development objectives noted above.

Thirdly, resources which may be saved *internally* in the city council are likely to be spent externally in combating the social and economic consequences caused by the city council's outsourcing policies. So the claim that outsourcing 'back-office services' can produce savings, which can be used to improve frontline services and create more jobs, is simplistic.

Corporate impact

Corporate Services has a relatively high level of expenditure, 27%, on supply of services and in contrast to the 5.6% in Personnel Services - see Table 2.3. However, this is largely accounted for by IT hardware and software contracts.

Table 2.3: **Corporate and Personnel Services Budgets 2001/02**

Item	Corporate Services	Personnel Services	Total
Pay and expenses	14,188,162	2,897,053	17,085,215
Premises	110,210	63,220	173,430
Transport	254,800	63,220	318,020
Supplies and services	5,557,148	181,757	5,738,905
Agency	6,870	54,720	61,590
Capital charges	240,220	47,960	288,180
Gross expenditure	20,357,410	3,261,630	23,619,040

Source: Salford City Council, 2001.

Corporate impact will depend on the ownership and control of the company, for example, a local authority-controlled company or a private company with local authority interest of less than 20%. If the former, it can continue to use council support services but the council can only supply support services for up to one year after a transfer. If the JVC continues to use council support services, the impact is likely to be minimal. However, if this is not the case the potential impact will be similar to option 4.

The corporate impact of option 4 is summarised below:

- contractors normally purchase their own goods and services and this will change the economies of scale of council purchasing, potentially increasing unit costs for other

council departments. This could affect the local economy if Corporate and Personnel Services acquired a high percentage of goods and services locally and if this was then switched to national sourcing by the private contractor.

- reorganisation and restructuring costs will be incurred by the council as a consequence of the transfer of 600 jobs from the local authority and the establishment of new client functions.
- the council will also have to reassess the occupancy and use of council property because a private contractor will normally wish to operate from separate premises.
- in the event of option 4 being selected, the strategic partnership procurement process facilitates private sector proposals for the inclusion of additional services into the contract. Furthermore, the potential outsourcing of Corporate and Personnel Services is but one of a number of services where there is pressure to privatise (for example, leisure, housing, residential and community care). The combination of two or more of these transfers/privatisation will clearly have major long term implications, which could cause a spiralling decline in council support services.

Impact on local labour market

As a major employer in the local economy, the city council has a key role in setting and helping to maintain quality employment standards. Good quality city council employment sets a standard or benchmark in the local economy, which in turn influences other employers' employment policies. A reduction in the quality of public sector employment will have the effect of reducing the overall level for all employees.

The following aspects of employment are likely to be affected:

- terms and conditions
- employment status
- training
- equal opportunities
- family friendly policies in order to fulfil its obligations to employees and set a example to others. If other employers did likewise this is likely to have the effect of reducing some of the demands placed on council services;
- the provision of a skilled workforce to deliver services and carry out the functions of local government as required by Best Value;

Increased wage inequality

Private sector salaries for senior managers in ICT are often higher than those paid in the public sector. In contrast, wage rates for private sector clerical and administrative staff are generally substantially below local authority rates. The difference is sometimes as much as £2,000 - £3,000 per annum. Not only will outsourcing increase wage inequality by increasing wage differentials, it will also widen the gender divide because the senior management posts are dominated by men, whilst seven out of ten employees on Scales 1-3 are women.

If new employees are engaged on lower terms and conditions than transferred staff this creates a two-tier workforce, which has implications for the quality of service and also leads to higher labour turnover rates.

The four options will have a differential impact on the local labour market. This is summarised below.

Option 1: In-house

This option will enable the city council to continue to provide good quality employment and training opportunities, which contributes to setting and maintaining standards in the local labour market.

Option 2: Public sector partnership

This option will also enable the city council to continue to provide good quality employment and training opportunities.

Option 3: Public Private Partnership (JVC)

The impact on the labour market will be similar to option 1, assuming that staff would be seconded from the city council to a JVC. However, if staff were directly employed by the JVC, there is a greater likelihood that restructuring will be more extensive which could result in additional job losses and/or changes in terms and conditions for new staff.

Option 4: Outsourcing of Corporate and Personnel Services in a strategic service delivery partnership with a private contractor

Outsourcing will result in job losses leading to fewer vacancies and reduced opportunities for the unemployed and those on training schemes. Other important consequences of outsourcing is increased casualisation of the workforce and reduced training opportunities.

The combination of TUPE transferred terms and conditions and separate terms for new staff usually results in companies having a wide range of pay scales which are frequently used to divide the workforce into different interest groups. Contractors usually require staff being promoted to switch to the companies own terms and conditions.

Other comments

Outsourcing and direct employment by a JVC could result in a weakening of trade union organisation and representation and more fragmented industrial relations. Whilst TUPE transfers ensure that trade union representation continues, in reality this often requires formation of a separate trade union branch. This often weakens the organisation of local authority branches.

The total job losses are summarised in Table 2.4. Option 1 has a combined council and local economy job loss of 71.5 jobs, option 2 has 107 followed by 114.5 for option 3. The

highest loss is for option 4 with 149 job losses. In other words, the job losses in option 4 are 108% greater than those under option 1.

Table 2.4: **Summary of employment impact**

Option	Council job losses	Local economy job losses	Total Job losses
1. In-house service	62.0	9.5	71.5
2. Public sector partnership	93.0	14.0	107.0
3. Public-private partnership	93.0	21.5	114.5
4. Outsourcing	123.0	26.0	149.0

Part 3

Social and environmental impact

Introduction

This section assesses the social and environmental impact of the four options. It is divided into four sections:

- the potential impact on the housing benefit service
- social impact in the most deprived wards in Salford
- health impact assessment
- environmental impact assessment

The government has stressed the importance of improving social inclusion, which means that local authorities must have policies in place to reduce the problems associated with low income, unemployment, poor health, low educational attainment, poor living conditions and high levels of crime. Since the city council is a major employer, its employment policies can be highly influential in tackling low income and unemployment. The quality of benefit services have an important effect on residents in inner city wards.

Potential impact of the options on the housing benefit service

The problems of the housing benefit system have been reported by a wide range of local authorities, social landlords and tenants nationally. Some of the problems are a result of the complexity of the current housing and council tax benefit system. These problems are not confined to private sector contracts. However, evidence indicates that outsourced services have performed particularly badly compared to in-house services. It is clear that the risk of failure, with all the consequences detailed below, is much greater when the benefits service is under private management.

Salford City UNISON's first report, *Privatising Salford? An Alternative to the Outsourcing of Council Services*, highlighted the impact of service failures in fourteen outsourced revenue and benefits contracts. Nationally, even revenue and benefits contracts (Brent, Hackney, Kingston, Lambeth, Taunton Deane, Waltham Forest and Wandsworth) have been terminated at substantial cost to local authorities. This section concentrates on the human and social cost of these failures and identifies the potential impact in Salford if a similar approach was adopted.

Salford City Council processed 16,750 new housing benefit and council tax benefit claims in 2000/01 plus some 54,100 renewal claims (Benefits Performance Monitoring, March 2001). Clearly, any disruption to this high level of benefit work would have serious

Level of dependency on income support

Although the level of unemployment has declined in Salford and nationally, the claimant count measures only those eligible for, and claiming, Jobseekers Allowance. The claimant count nationally was 3.2% (976,800) in May 2001 but using the International Labour Organisation (ILO) definition of unemployment the rate was 5% and using the broad level of unemployment the national rate was 7% (2,107,000) in the same month. The total number of people under retirement age supported by working age benefits, including children, is 7,991,000. Some 5.4m of this total are of working age and include claimants of JSA, Income Support, Incapacity Benefit, Severe Disablement Allowance, and their partners.

Some 14% of the resident population (aged 16 or over) in Salford is dependent on income support compared to 8% for Great Britain. There are several wards where the level of dependency exceeds twenty percent - see Table 3.1. Broughton had the highest level at 23% compared with Worsley and Boothstown which had a low 3%.

A significant proportion of those in receipt of income support will also be housing benefit and/or council tax rebate claimants. Hence any failure or decline in the quality of the housing benefit service will have major consequences for the wards where there already a high level of deprivation.

Table 3.1: **Dependency on income support**

Ward	% of resident population of income support claimants
Blackfriars	22
Broughton	23
Langworthy	20
Ordsall	21
Pendleton	21

Source: Neighbourhood Statistics, Office of National Statistics, August 1998.

National data indicates that, on average, 70% of council tenants are in receipt of housing benefit. Hence those wards with high concentrations of council tenants will be affected by any potential housing benefit failures. Just over 35% of households rented from the local authority in 1991 with a further 5.4% renting from housing associations. Table 3.2 identifies eight wards where there was over forty five percent of households renting from the city council or housing associations (1991 Census).

Ward	% council housing tenants	% rent from housing association	Total %
Blackfriars	74.0	7.4	81.4
Broughton	28.0	23.0	51.0
Langworthy	37.9	8.3	46.2
Little Hulton	68.8	3.2	72.0
Ordsall	61.2	7.1	68.3
Pendleton	62.8	11.8	74.6
Walkden North	47.2	1.0	48.2
Winton	45.2	1.6	46.8

Source: 1991 Census

Human and social consequences

A substantial proportion of housing benefit claimants are ill or disabled and rely on the benefit to pay their rent. Non-payment or incorrect payment caused by long delays and backlogs in processing benefit applications has a spiralling effect:

- tenants fall behind with rent payments and are forced to pay rent out of low incomes leaving little for food and living costs or they are forced to allow the arrears to mount up and risk court action for eviction, or inability to transfer elsewhere.
- claimants who have part-time jobs or temporary jobs and report changes in their circumstances (or other members of the household) often find that their housing benefit is stopped entirely, rent arrears rise, eliminating the financial benefit of employment. Others are sometimes required to make substantial repayments because benefit has only been changed after many weeks of employment and they are required to make backdated payment;
- it increases stress, anxiety and sleepless nights which worsens or creates health problems;
- claimants have to spend considerable personal time and cost spent telephoning and attending benefit offices trying to find out what has happened to their claim and to seek redress;
- misdirection about whether claimants have supplied all the required information resulting in duplication and additional stress;
- there is also a financial cost to local authorities when revenue and benefit contracts have service delivery problems. Whilst contractors often face financial deductions these rarely reflect the full cost of officer and Member time spent dealing with complaints and assisting the contractor to eliminate the problems.

Consequences for organisations

Long delays in payments to housing associations and social landlords cause financial difficulties which ultimately impact on all tenants. At one stage in 2000, National Housing

Federation research estimated that housing associations were owed £84m in late housing benefit payments from both local authority and privately operated benefits services.

Analysis of social impact in the most deprived wards in Salford

Index of Local Deprivation

Salford is ranked 29th and 31st respectively for the level of employment and income deprivation in the Index of Local Deprivation 2000 for England. Salford ranked 21st in the average of Ward scores. The Index is based on unemployment, children in low earning households, overcrowded housing, housing lacking basic amenities, households with no car and educational participation at age 17.

Table 3.3: **Salford Wards which are ranked in the top 250 most deprived wards in England**

Ward	National Ward Ranking (out of 8,414)
Blackfriars	156
Broughton	126
Langworthy	260
Ordsall	166
Pendleton	201

Source: Neighbourhood Statistics, ONS, 1998.

Winton and Weaste and Seedly wards were ranked 471 and 570 respectively. In contrast, Swinton South and Walkden South were ranked 3,009 and 3,043 respectively with Worsley and Boothstown ranked 6,108.

Summary of main points

- there is an inverse relationship between where council employees live and the wards with highest level of unemployment.
- 70% of job losses are in wards where unemployment is below the Salford average, particularly Swinton and Pendlebury and Walkden/Worsley - see Table 3.1.
- Job losses in the local economy are likely to be the reverse of city council job losses because they will be concentrated in neighbourhoods with high levels of service sector employment.
- differences in the pattern of job loss and job creation in terms of where jobs are located, the type of jobs (many in private services with different skills, working hours and terms and conditions than the jobs which could be lost in Salford City Council). It is difficult to be precise in the geographic distribution of jobs which are lost in private services as a result of city council job losses. It is assumed that about half will be local or neighbourhood related service jobs which will be concentrated in the postal code

areas with the highest level of council jobs losses. The remaining fifty percent will be Salford-wide service employment losses which will affect the wards with high levels of service sector employment.

Table 3.2: Impact of option 4

Salford	Post code	Jobs in services	Potential council job losses	Unemployment February 2001 %
Swinton & Pendlebury	M27	169	52	3.2
Walkden/Worsley	M28	94	29	4.1
Eccles	M30	44	14	4.7
Little Hulton	M38	19	6	6.8
Irlam/Cadishead	M44	21	6	2.4
Salford	M5	14	4	5.3
Salford	M6	41	12	5.3
Broughton	M7	6	2	8.1
Total		408	125	4.3

Source:

Family impact

The loss of reasonable, secure employment with relatively good quality terms and conditions will inevitably put families under pressure to maintain family income. This is likely to manifest itself in having to accept lower paid jobs, often requiring part-time casualised employment. This forces people into having to work longer hours in order to sustain a living wage and has a knock effect on children and family life.

The loss of career development and educational opportunities as a result of the loss of council jobs, coupled with longer working hours, restricts participation in lifelong learning.

Health impact assessment

Salford has a higher proportion of residents with long term illness (17.4%) compared with Greater Manchester (15.0%) and England and Wales (13.1%). Although there is a concentration of long term illness in the inner city wards and a correlation between incidence of long term illness and concentration of elderly residents, there are also wards with a younger age profile and long term illness.

Option 4 (outsourcing) could have a negative effect on the health of Salford citizens in the following ways:

- increasing job losses and unemployment has a detrimental effect on health as demonstrated by various studies;
- increased casualisation and lack of security of employment increases stress both at work and increases pressure on maintaining employment and living standards;

- failures in housing benefit and rebates causes financial problems and fear and insecurity from fear of the threat of eviction, making ends meet etc;

- reduced health and safety in call centres operated by the private sector compared to local authority operated call centres.

Health and safety

An increasing range of health and safety problems are being documented at call centres. They include stress, hearing damage, voice loss and aches and pains including headaches, eyestrain, repetitive strain injuries and back pain.

Staff are often required to work long periods without a break and since call centres operate on a 24 hour, 365 day basis, are often required to work unsocial hours. Shift working often runs counter to family friendly employment policies. The work is often tedious, with little opportunity for skill or career development and call centres generally have a high staff turnover.

The implementation of the City Council's Call Centre seems to have designed out many of these problems. There is little prospect of this remaining the case if the service is transferred to a private contractor where the 'outcome based' specification will drive working and employment practices.

Environmental impact

All four options will have a very limited environmental impact. The residential location of Corporate and Personnel Services staff means that job losses will be concentrated in the wards where unemployment is relatively low. Increased unemployment in these wards is not at a sufficient level or concentration to cause or contribute to environmental decline associated with increasing deprivation and inequality.

The options:

- have limited impact on owner occupiers ability to maintain their property in reasonable condition.

- any failure of the benefits system could cause further disillusionment and resentment in inner city wards which may manifest in some people taking less care about their local environment.

- it may make it more difficult to sustain recent environmental improvements and to achieve sustainability targets.

- the concept of savings from support services, particularly under option 4, being used to invest in 'core' or 'frontline' services should not be considered as a material factor because of the lack of collaborating evidence.

Although the most deprived neighbourhoods will experience some increase in

unemployment, this is not significant enough to cause a further social and economic decline with a subsequent environmental knock-on impact.

Public costs

Research into the public costs of competitive tendering carried out in parallel with the Equal Opportunities Commission (1995) study into the gender impact of CCT in local government provided conclusive evidence that, whilst some service budgets showed savings, the overall financial impact was negative. When all the central and local government public costs were taken into account in the model, the net effect was government subsidy for competitive tendering.

Furthermore, the larger job losses do not equal bigger savings because they will be offset by profit required by private sector, social costs and the risks borne by the public sector.

Corporate value for money

If one department pursues a policy which has a negative financial or efficiency impact on other departments, this can reduce the effectiveness of the council's corporate policies. This is particularly applicable to economic development and regeneration initiatives where the council is investing to create new employment and training opportunities. Another department's policies for outsourcing and privatisation of council services may undermine and reduce their impact.

Council tax collection

Outsourcing council tax collection could have a major impact on receipts. Salford's collection rate in 2000-2001 was 94.0% compared to the national average of 95.8% (DTLR Press Release 324, 13 July 2001. At least eight of the twenty local authorities which had the lowest collection rates (between 67.8% and 92%) had outsourced their revenues and benefits to private contractors. Salford's performance was some 1.4% below that of the average for Metropolitan District authorities in Greater Manchester (95.5%).

Table 3.3: Council tax collection performance (Greater Manchester MDCs)

Local authority	2000-2001 Percentage collection rate
Tameside	96.8
Stockport	96.3
Trafford	96.1
Bury	96.0
Wigan	95.8
Oldham	95.8
Rochdale	95.0
Manchester	94.2
Salford	94.0
Bolton	93.6

Source: DTLR, 2001

Regional impact

The first report, *Privatising Salford?* identified a number of limitations to the claims usually made for job creation in connection with regional business/call centres. In the subsequent eight months since the original research was carried out, no evidence has been made available to alter those conclusions. The ability of business/call centres to win work from other local authorities in the region is unproven for several reasons:

- * Most of the larger outsourcing contracts or strategic partnerships, for example, Lincolnshire, Middlesbrough, Bedfordshire and Liverpool are new and untested.
- * The record of contractors such as Capita and CSL, which won large IT and financial services contracts in the late 1990s and established business centres have not been very successful. Firms have not won major new contracts. For example, CSL established a national IT processing centre and a regional Exchequer Services business centre after it won the Sheffield IT and financial services contract in 1998. The firm recently announced it was making 65 staff redundant (despite a continuing backlog in housing benefits). CSL is cutting, not creating jobs in Sheffield.
- * Sustainability is another important factor. There are already two centres in the region, Liverpool (BT) and Blackburn (Capita). Whether Salford would gain in the long term from a regional centre is highly questionable. It is possible, that given the rapid development of information and communications technology, that 'regional business centres' may have a limited life. After a few years, another authority may outsource similar services and it may be cheaper to invest in a new centre elsewhere. Contractors already move work between business centres to avoid employing additional staff and to maximise workloads where pay rates are lower.
- * Options 3 and 4 could lead to the creation of regional business centres which will inevitably result in the net loss of jobs in the sub-regional and regional economy. One or two authorities may gain some additional employment but this will be at the expense of the region as a whole.

Part 4

Equality impact assessment

Equality groups

The Best Value guidance states that authorities must “....address equity considerations” (Best Value Guidance 10/99 Para. 17) and “....give effect to the principles of sustainable development” (Para. 17).

“Reviews should consider the way in which services impact on all sections of the community, including minority groups, and set targets to redress disparities in the provision of services to those that are socially, economically or geographically disadvantaged. Issues of social exclusion and isolation will be important ones for many authorities, and a service cannot be effective under best value unless it addresses equity considerations” (Para. 17).

In this context, equality mainstreaming should be inclusive of the poverty dimension to combat growing inequality. It should assess the impact of public policy decisions on each equality group to determine any adverse impact and develop appropriate alternatives or remedial action. It should also establish the needs, aspirations, and characteristics of each equality group and develop equality objectives and targets to underpin all policy and provision.

There are nine grounds for determining the equality impact of public and private policies (using similar groups included in equalities legislation in Ireland).

The process should identify how each equality group is potentially adversely affected by the four options and to identify what action can be taken to minimise adverse impact. This should take into account the differential track record between public and private organisations with regard to the implementation of equalities in service provision and employment.

Gender: Currently, the percentage of senior posts, first, second and third tiers, filled women in 1998/99 was 27.8% (15 out of 54 posts). The City Council set a five year target of 50% of senior posts to be filled by women. However, job losses are likely to be concentrated in the lower grades (Scale 1- 3) where seven out of ten staff are women. Rounding up the proportion of female employment from 57% to 60% in council services and taking account that women constitute some 65% of service sector employment in the local economy, the combined effect is that between 60% - 61% of the total potential job losses will be in female employment - see Table 4.1. Outsourcing under option 4 will, therefore, have a negative effect on council equalities policies and targets.

Table 4.1: **Gender impact of job losses**

Option	Total potential job losses	Female employment	% of total job losses
1. In-house service	71.5	43	60.1
2. Public sector partnership	107.0	65	60.7
3. Public-private partnership	114.5	70	61.1
4. Outsourcing	149.0	91	61.1

Race: (including membership of the Traveller community): Ethnic minorities account for only 1.14% of the council's workforce (calculation excludes teachers because of lack of data) compared to 2.2% of Salford's population (1991 Census and contrasts with 5.9% for Greater Manchester). Indian, Pakistani and Bangladeshi represented 0.8% of the city's total population with Chinese, Asian and other groups 0.9% and black Caribbean and African 0.5%. Only three wards, Broughton, Blackfriars and Eccles had over 4.1% ethnic minority residents in the 1991 Census.

As of 1998/99, the council did not meet any of the Commission for Racial Equality Levels for the Standards for Local Government but planned to achieve levels 1 and 2 by 2000/01.

Age: Twenty one percent of Salford's population were over 60 in 1998, a significant proportion of whom, particularly in the most deprived wards, will be in receipt of income support. Outsourcing under option 4 could potentially lead to service delivery failures which would impact on the elderly.

Physical and learning disability: Some 1.66% of the council's workforce declared that they met the Disability Discrimination Act disability definition in 1998/99. The private sector has a poorer record than the public sector in implementing employment disability targets, hence option 4 will have a negative impact.

Family status: (with/without dependents): A failure in service delivery will impact on all benefit claimants. However, it is likely to impact hardest on those with dependents, particularly children.

Marital status: no impact

Sexual orientation: information not available

Political opinion: information not available

Religion: information not available

Access to ICT

Access to ICT and the ability to use computers cannot be taken for granted. The rhetoric and assumptions are often out of synch with reality. The city council's strategy must take account of access and affordability.

Consequences for service provision

There are other equalities issues which must be taken into account:

- * the geography of equality is likely to become more uneven, fragmented and piecemeal;
- * increase in disputes between client, contractors, partnerships and other providers over responsibilities for the provision and implementation of policies and practices to eliminate inequalities;
- * business and commercial criteria could be given equal or higher priority over social and community needs.

Impact of options on equalities

Option 1: In-house

Job losses are likely to be concentrated in the lower grades where 70% of the staff are female. However, this option has the lowest number of projected job losses and there will be scope for redeployment within the city council, thus mitigating any adverse impact.

Option 2: Public sector partnership

Although the city council job losses are fifty percent higher than under option 1, the opportunity for redeployment would remain.

Option 3: Public Private Partnership (JVC)

As for option 2, assuming staff are seconded to a JVC.

Option 4: Outsourcing of Corporate and Personnel Services in a strategic service delivery partnership with a private contractor

City council job losses would be substantially higher and there will be limited scope for redeployment. Once a transfer is implemented the private contractor will be wholly responsible for staff and employment policies.

This option is also likely to lead to:

- * fewer apprenticeship and training opportunities for equality groups
- * fewer employment opportunities for the physically disabled;
- * failure or delay in implementing family friendly policies.
- * increased discrimination - the EOC study of competitive tendering in local government identified discrimination and widening inequalities. Larger outsourcing contracts are likely to have a similar or greater impact.

Part 5

Effect on community well-being

Introduction

The concluding part of the analysis examines the potential impact on community well-being in Salford. It starts by proposing a more detailed definition of community well-being than that contained in the legislation and guidance. The section then examines the potential impact of the four options followed by a risk analysis.

A definition of community well-being

Salford City Council has new powers under the Local Government Act 2000 to develop community strategies to improve the social, economic and environmental well-being of the area. The new power enables local authorities to improve the quality of life, opportunity and the health of local communities. This could include tackling social exclusion, reducing health inequalities, promoting neighbourhood renewal and improving local environmental quality. The government has stated that it “....does not intend to define what actions would constitute the promotion of economic, social or environmental well-being” (DETR, 2001).

The Act confers a new function on local government to promote or improve community well-being. It is very wide ranging but there is a danger of it being used to virtually mean anything. This will devalue its potential importance.

This section of the audit identifies a range of issues which clearly fall within the remit of community well-being. The four options will only affect some of these criteria. This forms the basis for carrying out a risk analysis.

The following list is illustrative only and does not reflect a full definition of community well-being.

- * Access to training and employment opportunities, particularly local labour initiatives.
- * Access and efficient delivery to benefits, social funds - income stability.
- * Equity and equalities mainstreamed in public and private sector policy making.
- * Access to low cost information and communications technology together with training.
- * Local economy and enterprise - growth and innovation.

- * Education and life-long learning.
- * An adequate range of community and workplace childcare provision.
- * Comprehensive community care services providing a range of choice for residential/home living and intermediate hospital/home services.
- * Leisure, entertainment and recreational facilities to meet local needs and all ages.
- * Ideological - sense of growth, improvement and identity and citizenship.
- * The quality of civil society measured by participation rates and resources for, capacity building for community organisations.
- * Primary health care, health promotion and public health.
- * Environmental improvement, reducing derelict land and pollution.
- * Accessibility by public transport at reasonable cost.
- * Availability of good quality housing at affordable rents.
- * Democratic institutions, accountability of services and functions.
- * Public collective sense - as opposed to a privatised, individualised world and reliance on market forces with state/welfare residual role coming into play only when market force fail.
- * Regeneration process and renewal and redevelopment - improvement process ongoing enhancing condition of the infrastructure.
- * Support for local culture and history and art.

By outsourcing to private sector providers, the city council is in danger of weakening and diluting its power and capacity to improve the well-being of the community. Instead of making services more accountable to communities, outsourcing is likely to reduce accountability.

Risk analysis

The assessment of community well-being can be taken a stage further by introducing a risk assessment of each option. Risk assessment traditionally identifies and allocates responsibility for risk between the client and the contractor using a risk matrix to show which risks are retained, transferred to the private contractor or shared. This is a very limited and inadequate approach because it identifies only responsibility for risk rather than who suffers the consequences of failure and/or poor performance. For example, service quality will normally be the responsibility of the contractor and whilst failure may result in financial deductions, it is service users who suffer the brunt of the

consequences of service failure. Consequently, it is necessary to examine the potential risk of failure, not as a responsibility, but who bears the effect or impact of the failure.

Salford's Market Steering Group had carried out a Risk Assessment to the Market Testing Stage but was limited to an assessment of the risks connected to the various stages of the procurement process.

The risk assessment of the consequences of failure is divided into four categories, service delivery, employment, financial and local authority contract management - see Table 5.1. A series of potential scenarios in option 4 are identified under each heading and an indication of who bears the consequences - service users, staff, Salford City Council or the private contractor. It shows clearly that although the bulk of the risk would be transferred to a private contractor, most of the consequences of failure are borne by service users, staff and the city council. Only in seven cases would the impact be felt by the private contractor although it would suffer other consequences such as an effect on its reputation.

Table 5.1: **Risk matrix for community well-being**

Risk	Service Users	Staff	Salford City Council	Private company
Service delivery				
Housing benefit service failure				
Higher level of payroll complaints				
Corporate policies not implemented				
Failure to fully update ICT equipment				
Equalities policies not implemented				
Problems in partnership accountability				
Inadequate monitoring				
Employment				
Additional job losses				
Reduced terms and conditions				
Increased casualisation of staff				
Problems caused by split in personnel functions				
Inadequate training programme				
High turnover of staff				
Financial				
Additional client staff required				
Failure to achieve savings				
Contractor has financial crisis				
Company takeover/merger				
Failure to win additional work				
Local authority contract management				
Loss of capacity to monitor performance				
Failure to ensure accountability of contractor				

Recommendations

The audit has identified a number of major issues under each of the options that lead to the following recommendations:

1. The findings and conclusions of the audit should be included as a key part of the evidence for the Best Value Review of Strategic Options for Salford's Support Services.
2. The findings and conclusions should be subjected to community and staff consultation.
3. Option 1 would have the least negative impact and maximises the council's flexibility to minimise any adverse impact.
4. The city council should encourage other Greater Manchester local authorities to speed up consideration of public sector partnerships. This is not an immediate solution for Salford City Council but could offer a longer term strategy.
5. The city council should carry out further analysis if there are any proposals which change the composition of the options; such as including a wider range of services for outsourcing and/or changing the client/contractor or strategic/operational split in Personnel Services (currently assumed to be 50/50).
6. If options 2 or 3 are chosen or considered for further analysis, then the criteria and issues highlighted in this audit should be built into the procurement process, particularly the Invitation to Negotiate, award criteria and evaluation process.
7. The council should incorporate the issues identified in the audit into the monitoring and evaluation of the selected option.
8. The council should incorporate the social and economic audit methodology into their approach to the preparation of community strategies and improving the social, economic and environmental well-being of Salford.

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