



Analysis of Business Case
New Support & Customer Services
Project
London Borough of Barnet

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(Continuing the work of the Centre for Public Services)

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

Contents

| | |
|---|----|
| Executive summary | 4 |
| Introduction | 6 |
| Scope of the Business Plan | 6 |
| Key risks omitted | 7 |
| Employment impact of downsizing the retained organisation | 8 |
| Savings | 12 |
| Equalities | 12 |
| Strategic Partnership performance and savings | 13 |
| Accommodation | 13 |
| Contract monitoring and management | 14 |
| Other key issues | 14 |
| Recommendations | 14 |
| Appendix: Questions for Cabinet Resources Committee | 16 |
| References | |

List of Tables

- 1, Scale of outsourcing in 2011 and reduction of the retained organisation
2. Effect of outsourcing on Council corporate services
3. Potential impact of efficiency savings on job losses
4. Combined effect of outsourcing and efficiency savings on jobs

Executive summary

- The New Support and Customer Services Business Case fails to fulfil several basic requirements with regard to strategic, economic, commercial, financial and management functions.
- The Council is attempting to privatise risks by omitting them from the Business Case. Important financial, operational, democratic governance and employment risks are excluded.
- The Business Case contains no analysis of the employment effects of outsourcing on corporate support services. Our analysis estimates a potential loss of 108.2 jobs (88.7 FTE).
- Total job losses could range between 189.5 and 253.3 jobs as a result of the combined effect of outsourcing other Council services and CSO – NSO efficiency savings.
- It is likely that that the scale of job losses could require compulsory redundancies.
- The savings figures are grossly over-estimated because they do not take account of the cost of redundancies. The cost of making 150 – 200 staff redundant could be £2.94m and £3.92m.
- The lack of elementary information about the staff engaged in providing Council corporate services is totally unacceptable. It is further evidence of senior management’s continuing disregard for the interests and well being of Council staff.
- The equality impact examines only the impact on existing staff. It does not examine the loss of employment caused by the exporting of jobs from the Borough or the loss of job opportunities in the local economy.
- The performance of strategic partnerships in other local authorities is often poor, and only outsourced public sector ICT projects have a worse record.
- Private contractors should be required to locate the provision of services in Barnet in the interest of Barnet citizens, service provision, employment opportunities and the local economy and to pay the full rent for Council accommodation.
- If a rent-free period is given to private contractor then the accommodation costs of other Council services must be increased to cover the rent or the savings forecast for the CSO-NSO will have to be reduced by the same amount – about £1.5m per annum.
- The Business Case fails to acknowledge, let alone address, the contract monitoring and management issues that the Council will confront with a £600m - £750m contract.
- The Business Case makes no reference to the effects of the new Universal Credit due to be launched in October 2013.

Recommendations

1. The Business Case has failed to make a strategic, economic, commercial, financial and management case for commencing the procurement process and should be rejected by Cabinet Resources Committee.
2. Given the impending changes in the organisation and delivery of local government, NHS and benefit services, the Council should avoid being locked into a long-term contract. It should commit to engage with staff and trade unions to undertake transformation in-house drawing on external support on an as-and-when basis.
3. If the Council proceeds with current plans then it is essential that it:
 - undertakes a full risk assessment;
 - confirms the full scale of potential job losses and assesses the economic and equalities impacts with appropriate policies to eliminate or mitigate negative consequences;
 - makes a commitment to secondment or a TUPE Plus transfer of staff;
 - ensures that staff suffer no reduction in the quality of their pension;
 - commits to requiring service delivery to remain in Barnet;
 - requires contractors to pay the full rent for council accommodation;
 - designs a new fully resourced contract monitoring and management arrangements;
 - reassesses the savings forecasts to take account of the potential cost of redundancies, potential larger loss of income and the increased costs of contract monitoring and management;
 - assesses the potential impact of the CSO-NSO contract on the pension fund as a matter of urgency;
 - strengthens Oversight and Scrutiny to ensure that it carries out rigorous and regular assessment of performance and employment policies;
 - increases the resources of Internal Audit to enable more effective and continuous auditing;
 - introduces Gateway Reviews of the options appraisal and procurement process;
 - requires improved performance of the Council's external auditors;
 - rewrites the contract monitoring and management section of the Business Plan to take account of the current fundamental problems and weaknesses in the Council's procurement practice and addresses the wide range of new issues that will emerge in a strategic partnership that is going to be subject to significant changes during the contract period.

Introduction

The London Borough of Barnet published a Business Case for the New Support & Customer Services Project in June 2011. This report is an analysis of the Business Case and follows earlier critical submissions by UNISON on the Options Appraisal and draft Business Case.

UNISON submitted a detailed report in March 2011 demonstrating how the CSO/NSO Options Appraisal was fundamentally flawed (Barnet UNISON, 2011). It contained no in-depth analysis of the options other than subjective strengths and weaknesses; no assessment of costs and benefits and thus no value for money; no analysis of current trends and developments or a vision for the two organisations and how this fits into the future shape and functioning of the Council and public services in Barnet; no forecast of affordability; and equalities issues were not addressed. Risks were not fully identified and the appraisal did not address democratic accountability and transparency.

UNISON also submitted comments on the draft CSO/NSO Business Plan in May 2011 that focused on the lack of organisational or operational vision, the failure to identify significant operational risks, the lack of evidence to support the calculation of financial savings, the lack of evidence and understanding of experience of similar contracts and the absence of information and assessment of the impact on council staff.

The Business Case is being submitted to Cabinet Resources Committee on 29 June 2011 to seek "...*authority from the Committee to approve the business case for the procurement of a strategic provider*" (Report of Cabinet Member for Resources and Performance and Cabinet Member for Customer Access and Partnerships, 29 June 2011).

Yet on the 16 June 2011, the Council issued a formal Contract Notice for a 10-year £600m - £750m contract (with a potential 5 year extension).

Scope of the Business Plan

With regard to the five essential components of a Business Case – strategic, economic, commercial, financial and management – the New Support and Customer Services Business Case fails to fulfil several basic requirements.

Firstly, it has a high rhetorical content promoting the benefits of outsourcing and presenting this as a win-win scenario, an idealised world of benefits for staff. However, this is contradicted elsewhere in the Business Plan by promoting the relocation of a substantial number of jobs out of the Borough. This seems to assume the further away they are, the cheaper it will be for the Council.

Secondly, it fails to make an economic case. Although the Business Case forecasts savings it does not estimate the potential cost of redundancies despite the fact that between 190 and 253 staff could lose their jobs before, or shortly after, the CSO-NSO contract commences. In addition, the prudent and optimistic financial overviews assume a relative small change in income for each service (Appendix C). No reference is made to government policy in education, health and other services, which is promoting outsourcing or the transfer of services to arms length companies and social enterprises. This could significantly reduce the income forecasts for NSO services. The absence of economic analysis, either within the wider Council and/or the local economy, is a further limitation of the Business Case.

Thirdly, the business case fails to fully identify the performance, operational and financial risks for the Council in engaging a strategic partnership with a private contractor. Both the options appraisal and the Business Case ignore the well-documented problems that other local authorities have experienced with strategic partnerships, particularly significantly lower savings and job creation. Strategic partnerships have a higher failure rate than other outsourcing models. Barnet Council's track record on bog-standard outsourcing has been shown to be poor. The Business Case fails to address these vitally important issues.

Key risks omitted

The Council takes a narrow view of the function of the Business Case “...as the purpose of the business case is to identify the case to carry out procurement process, the risks associated with this process are highlighted” (Response to Trade Union comments, 31 May 2011). But the role of a Business Case is not simply justify commencement of procurement, it is also to establish a case for outsourcing the service. This is an important distinction. There is no in-house bid, so the Council has to look beyond a procurement process to determine whether the development of the options appraisal actually stacks up in the five ways described above.

The Council is not consistent because two of the six risks identified in the Business Case refer to the risk of central government changing savings targets or decreasing funding “...during the life of the contract” (page 36).

The Council is attempting to privatise risks by omitting from the business case. The risks summarised below are equally important as the six risks identified in the Business Case. If key risks are not disclosed and debated now, then the next stage will be the award of a contract when the risk register will be classified as ‘commercially confidential’. The final Business case may ultimately be disclosed through a Freedom of Information request, but by then the contract will have been signed and will be operational. These omissions would have been identified if the Council had adopted best practice in holding Gateway Reviews at important stages of the options appraisal and procurement process.

Key risks omitted by the Council

The following key procurement risks have omitted from the Business Case:

- Higher transaction costs
- Judicial Review if unequal treatment
- Bidders withdraw/submit incomplete bids
- Bidders submit higher priced bids than affordable

The Business Case identifies only one transition risk, others include:

- TUPE transfer disputes
- Loss of critical skills before or at transfer

The Business Case identifies only two key operational risks but there are more key risks that should be included:

- Cost reductions not achieved
- Service quality does not meet standards
- High level service user complaints
- Corporate policies not fully implemented
- Sub-performance of subcontractor(s)
- Transformation delay
- Innovation limited
- Technology or system failure
- Change Control mechanism disputes
- Data security breaches
- Industrial relations/action disputes
- Contractor seeks to renegotiate contract
- Loss of knowhow/intellectual property
- Disputes with contractor over impact of outsourcing other Council services

The Business Case fails to identify contract management risks such as:

- Inadequate monitoring & reporting
- Effectiveness of performance assessment regime

-
- Lack of exit strategy

Financial Risk

- Hidden costs emerge
- Increased contract monitoring and management staff and costs
- Larger budget reductions required
- In Reduced revenue collection rates reduce income
- Cost reductions not achieved

Democratic Governance Risk

- Strategic & operational boards partnership management problems
- Lack of oversight and scrutiny
- Accountability & reporting failure

Employment Risk

- Changes to terms and conditions
- Increased level of job losses
- Industrial relations disputes
- Pensions

Employment impact of downsizing the retained organisation

“The council will not, with the exception of the customer service, be requiring external partners identified through other One Barnet projects to use the support service delivered by the provider identified as a result of this procurement” (page 20).

The Business Case contains no analysis of the employment effects of outsourcing on corporate support services. The Council has already embarked on procurement and transfer of services so it cannot claim that they do not know the potential scale – see Table 1. This is a major and significant omission.

The Contract Notice refers to the Council ‘anticipating’ that Barnet PCT, GP consortia, voluntary aided schools, academies and third sector organisations “may wish to join this procurement”. At present this is little more than wishful thinking because there is no evidence that any of these organisations are willing to join the procurement or that it would be significant to offset the loss of support services due to the outsourcing of Council services.

The Business Case admits:

“The contract that is developed for the provision of these services needs to be flexible to enable a reduction in the contract price to be realised as a result of a reduction in the size of the retained organisation” (page 20).

The Council already has plans to reduce the number of Council staff by over 2,700 staff leaving just over a thousand staff. The original ‘strategic hub’ envisaged only a few hundred staff so further outsourcing can be anticipated beyond the services identified in Table 1.

Table 1: Scale of outsourcing in 2011 and reduction of the retained organisation

| Project | Services | No. of staff |
|---|--|-----------------------------|
| Development and Regulatory Services | Planning (development management), building control & structures, land charges, environmental health, cemetery & crematorium, trading standards & licensing, registration, highway services. | 300 |
| New Support Organisation | Finance, human resources, IT, procurement, revenues & benefits, property management, communications | 760 |
| Customer Services Organisation | All services that employ staff dealing with the public via telephone. | |
| Adult Social Care In-House Provider Services | Learning disabilities and physical disability services | 153 posts (plus 89 casuals) |
| Environment & Operations | Street scene, waste & recycling, community protection, greenspaces, | 1200 |
| Parking | On and off-street enforcement, Cashless parking service, Processing of Penalty Notices | 90 |
| Social Services Passenger Transport | Children's & Adult Passenger transport service | 140 |
| Housing Service | Housing Strategy, possible transfer to Barnet Homes ALMO | 90 |
| Total | | 2,733 |
| Council Workforce – excludes school staff | | 3,800 |

Source: Budget, Council Tax and Medium Term Financial Strategy 2011/12 to 2013/14, Cabinet, February 2011; Project Business Cases; Staff at 3/12/2010 was 4,159, excluding school staff, adjusted to take account of spending cuts.

The Business Case assumes that the outsourcing/transfer of DRS, Adult LATC, Parking and Transport will reduce expenditure on corporate services by just over £6.0m. This is not a saving, as the Council will continue to finance these services via contracts and agreements. The employment impact of the £6m reduction is summarised in Table 2 and could result in the loss of 108.2 jobs (or 88.7 FTE)

Table 2: Effect of outsourcing on Council corporate services

| Service | Reduction in budget due to outsourcing of other services (£000) | Estimated employment loss (FTE) based on current |
|----------------------|---|--|
| Procurement | 58 | 0.9 |
| Customer Services | 120 | 2.9 |
| Estates | 1,360 | 7.7 |
| Finance | 973 | 23.9 |
| Human Resources | 1,326 | 26.5 |
| Information Systems | 1,629 | 13.4 |
| Revenue and benefits | 571 | 13.4 |
| Total | 6,038 | 88.7 |
| | | Estimated number of jobs 108.2 |

Source: New Support & Customer Services Project: Business Case, June 2011.

Budget reduction based on Revised Provider Baseline, Year 0

The planned transfer of Housing Strategy to the Barnet ALMO/LATC and the outsourcing of Environment and Operations and other services are not taken into account. DRS, Adult LATC, Parking and Transport account for nearly 700 FTE but outsourcing the additional services will involve nearly 1,300 staff (FTE). **Thus the corporate services budget can be expected to decline by a further £6m - £12m after the outsourcing of the New Support Organisation.**

The growth of academies, frees schools, increased transfer of services to arms length or trading companies or to social enterprises in health, education and local government generally results in these organisations usually making their own arrangements for the provision of support services.

The Council currently provides a full human resources and payroll service to 97 of the 117 community, academy, voluntary aided and foundation schools in Barnet and a human resource or payroll in a further five schools (Traded Services to Schools, 2011). Both the prudent and optimistic financial forecast for human resources in the Business Case assumes a cumulative 8% reduction in income. It would be excellent if the current level of service to schools could be maintained. Retaining this level of service provision is likely to be very difficult and the forecasts of the loss of income may, unfortunately, be conservative. Figures for other services are finance 8% - 15%, customer services 0% - 7%, information systems 7% - 9%, revenues and benefits 0% - 0%, estates 2% - 3%, and procurement 2%- 7%.

The Business Case uses 'prudent' and 'optimistic' scenarios to forecast savings. Information on job losses (FTE) are included for customer services, estates, finance and revenues and benefits but not for the other services. We have estimated these using average expenditure per FTE to identify potential job losses in the two scenarios – see Table 3.

Job losses are forecast to be between 66.6 FTE – 118.9 FTE or 81.3 jobs and 145.2 jobs (10.7% - 19.1%) *before* any account is taken of the reduced demand for services as a result of outsourcing other council services.

Table 3: Potential impact of efficiency savings on job losses

| Service | Current Number of staff (FTE) | Potential Job losses (FTE) over 10 years from efficiency savings | |
|----------------------|-------------------------------|--|--------------|
| | | Prudent | Optimistic |
| Procurement* | 27 | 1.8 | 6.1 |
| Customer Services | 58 | 0 | 14.8 |
| Estates | 74 | 13.6 | 19.3 |
| Finance | 145 | 11.0 | 22.0 |
| Human Resources* | 81 | 9.7 | 10.5 |
| Information Systems* | 76 | 7.0 | 9.4 |
| Revenue and benefits | 162 | 23.5 | 36.8 |
| Total | 623 | 66.6 | 118.9 |

Source: New Support & Customer Services Project: Business Case, June 2011.

* estimate based on Appendices B and C

A total of 189.5 and 253.3 jobs (155.3 – 207.6 FTE) could be lost due to the combined effect of outsourcing other Council services and CSO – NSO efficiency savings – see Table 4.

Table 4: Combined effect of outsourcing and efficiency savings on jobs

| Service | % reduction based on planned outsourcing of Council services | Employment loss due to efficiency savings (FTE) | | Combined effect of outsourcing other Council services and CSO – NSO efficiency savings (FTE) | |
|-----------------------------|--|---|--------------|--|--------------|
| | | Prudent | Optimistic | Prudent | Optimistic |
| Procurement | 0.9 | 1.8 | 6.1 | 2.7 | 7.0 |
| Customer Services | 2.9 | 0 | 14.8 | 2.9 | 17.7 |
| Estates | 7.7 | 13.6 | 19.3 | 21.3 | 27.0 |
| Finance | 23.9 | 11.0 | 22.0 | 34.9 | 45.9 |
| Human Resources | 26.5 | 9.7 | 10.5 | 36.2 | 37.0 |
| Information Systems | 13.4 | 7.0 | 9.4 | 20.4 | 22.8 |
| Revenue and benefits | 13.4 | 23.5 | 36.8 | 36.9 | 50.2 |
| Total FTE | 88.7 | 66.6 | 118.9 | 155.3 | 207.6 |
| Estimated No of Jobs | | | | 189.5 | 253.3 |

Source: New Support & Customer Services Project: Business Case, June 2011.

Budget reduction based on Revised Provider Baseline, Year 0

The conclusions of the financial analysis are:

1. The combined effect of efficiency savings and reduced scope of corporate services as a result of outsourcing other Council services could be **189.5 – 253.3 job losses**.
2. It is likely that that the scale of job losses could only be achieved by compulsory redundancies.
3. The job losses do not take account of any further loss of service provision to schools and further outsourcing of services or transfer to arms length companies or social enterprises.
4. The Business Case **savings figures are grossly over-estimated because they do not take account of the cost of redundancies**.
5. Commencing procurement before examining these issues and costs is **placing the Council at a commercial disadvantage in the procurement process**.
6. The Council has again failed to identify the overall organisational vision for the Council and to explain how **it will manage several large and medium sized contracts when it has such a poor track record in monitoring and managing relatively small contracts** (see below).

Employment and redundancies

The Council continues to undertake Options Appraisals and Business Cases using only the number of Full Time Equivalent (FTE) staff. This is a crude indicator of staffing levels that underestimates the actual number of jobs/people affected by policies. The FTE is multiplied by 1.22 to estimate the actual number of jobs – in this case 623 FTE = 760 jobs – but this multiplier may vary marginally between local authorities and different services. The Council may claim that an Equality Impact Assessment will identify the actual number of jobs, but the planning of services should be based on the number of people engaged in delivering the service, not simply counting them at the end for a impact assessment.

The draft Employee Equality Impact Assessment submitted with the Business Case identifies only 538 staff. There is no information on their employment status, part-time/full-time or any analysis on a service-by-service basis.

The lack of elementary information on the staff engaged in providing Council corporate services is further evidence of senior management's continuing disregard for the interests and well being of Council staff.

Pensions

The Business Case makes only a brief reference to pensions stating that the "...Council will meet all of its statutory obligations but it will not provide any enhancement over and above that provided by the Transfer of Undertakings (Protection of Employment) Regulations 2006, Code of Practice and Best Value Authorities Staff Transfers (Pensions) Direction" (page 6).

Firstly, if there is a TUPE transfer, staff and UNISON want the Council to give a guarantee that their Pensions will transfer in the event the Coalition Government remove Fair Deal for Pensions Secondly, the Council is aware of the potential negative affect on the Pension Fund as a result of the potential loss of payees. It is a high corporate risk (London Borough of Barnet, One Barnet Programme Highlight Report, 2011). The potential financial consequences of the CSO-NSO outsourcing for the pension fund **should have been included** in the Business Case. The potential impact of this contract on the pension fund should be assessed as a matter of urgency.

'Benefits' for staff

The Business Case claims that staff could 'potentially' benefit from 'greater experience of industry standards', 'new commercial skills', access to 'more developed talent management', 'opportunities for personal development' and 'greater opportunities to attend training courses' (page 17).

These opportunities may be applicable to a handful of senior managers but the bulk of the staff in CSO-NSO are unlikely to have the opportunity to assess whether any of these experiences or skills are relevant or not. The idea of outsourcing being a win-win situation for staff is insensitive to the already spiralling cycle of helplessness and demoralisation of staff. It would appear the Council has done little market research into strategic partnerships and its impact on staff.

The so-called benefits have little relevance for staff who may lose their jobs, face reductions in terms and conditions and pensions, if a large part of service provision is located outside of London or offshored.

Savings

Virtualisation

Savings in Revenues and Benefits are expected to come from *“economies of scale and virtualisation of teams – a provider will run services for multiple local authorities and be able to better cope with demand peaks and troughs. Officers will not have to be physically located in the authority for which they are processing work”* (page 65). Savings are also expected from the automation of processes and streamlining of customer contact.

The Council has a five-year contract with Civica to supply information systems, having previously used different system. The conversion to this system was extremely difficult and a further conversion would cause severe difficulties.

Cost of redundancies

The Business Case does not take account of the cost of potential redundancies. Most of the planned outsourcing or transfer of services identified in Table 1 will be implemented in the next two/three years. Thus the loss of work for corporate services will run parallel with the planned implementation of efficiency savings in corporate services. This inevitably means that redundancies could be imposed before the CSO/NSO contract is signed and staff are transferred to a new employer.

Since the most of the loss of jobs will occur immediately prior or immediately after the commencement of the CSO – NSO contract, the Council will be required to finance redundancies. **The cost of making between 150 – 200 staff redundant could be between £2.94m and £3.92m**, based on the average cost of making an employee redundant in the public sector as £19,600 (Chartered Institute of Personnel and Development, 2010).

It would therefore be prudent, indeed a fiduciary duty, for the cost of redundancies to be identified in the Business Case. This is another important omission because the cost of redundancies would have to be set against the planned savings.

Equalities

The Council has not, nor is there a commitment to undertake, an equality impact assessment of the overall outsourcing programme and/or the offshoring or relocation of jobs from Barnet. Instead it assesses the equality impact on a Business Case-by-Business Case basis. This effectively means:

1. The breadth of the equality impacts are not revealed until **late** in the procurement process when the focus is on the award of a multi-million contract. In other words, equality issues for service users and staff are marginalised by a focus on financial ‘savings’.
2. Equality impact assessments examine only the impact on existing staff, but do not examine the **loss of employment** caused by the exporting of jobs from the Borough or the **loss** of job opportunities in the local economy.
3. The equality, economic and employment impacts on the local economy are ignored.

There are significant risks that the private contractor concentrates on implementing more 'efficient communication channels' in order to achieve savings targets. However, evidence from the recent Barnet Citizens' Perception Survey 2011 shows that the retired, Black, Pakistani and Bangladeshi groups have a much lower take up of email usage. The difference is also mirrored on a ward basis with, for example in Totteridge and Garden Suburb there is a much higher preference for email than compared to Burnt Oak or Hale. There are also large difference between tenures, for example, council tenants and homeowners.

Strategic Partnership performance

UNISON's analysis of the DRS Business Case examined the performance record of strategic partnerships. *"The termination and significant reduction of five SSP contracts, major issues and/or changes in five other projects and eleven local authorities rejecting an SSP in the procurement process indicates this is a high-risk strategy"* (UNISON, 2010). It would be irresponsible if the Council ignores this evidence.

The European Service Strategy Unit PPP Database contains details of 44 strategic partnerships, of which 40 are for ICT and corporate services.

- Five contracts have been terminated (Bedfordshire County Council, West Berkshire Council, Essex County Council) or substantially reduced in scope because of operational and performance problems (Redcar & Cleveland Council and Swansea City Council).
- Two contracts have concluded with services and staff transferred back to the local authority (Middlesbrough and Cumbria).
- Three contracts have experienced major problems (Liverpool, Somerset, Swindon).

This is a very poor level of contract performance, only outsourced public sector ICT projects have a worse record (ESSU, 2010). Savings have been significantly smaller in most authorities, for example only £2m of planned £45m procurement savings had been obtained three years into the Somerset strategic partnership with IBM (Somerset County Council, 2010). Job generation commitments have not been achieved except in one authority.

Accommodation

The Council appears to believe that many services do not have to be located in Barnet and the further they are away from Barnet the cheaper they will be.

Firstly, private contractors should be required to locate the provision of services in Barnet in the interest of Barnet citizens, service provision, employment opportunities and the local economy. They should be required to locate in Council premises unless there are very significant financial disadvantages to the Council.

Secondly, contracts should specifically ban offshoring and relocating services or functions outside of the Borough unless they are part of a public sector shared services project.

Thirdly, private contractors should be required to pay the full appropriate rent as council services are required to do so. Rent-free accommodation is an unnecessary and unwarranted subsidy to the private sector. Furthermore, a contractor is likely to seek to extend the rent-free period to the full length of the contract.

Finally, mass outsourcing of Council services raises important questions about the Council's accommodation strategy. We understand that NLBP Building 4 has a break clause in 2015 and three floors of Barnet House are vacant. What accommodation will be required if in-house services shrink to a strategy hub with a few hundred client staff? What are the financial liabilities of the current leases?

If a rent-free period is given to private contractor then the accommodation costs of other Council services must be increased to cover the rent. Alternatively, if the Council decides that it will corporately finance the rent-free period for the private contractor, this will reduce the

savings forecast by the same amount. If the CSO-NSO accounted for 25% of the £6m cost of NLBP, the savings for this project will have to be reduced by a further £1.5m per annum.

Contract monitoring and management

Contract management is only briefly addressed in the Business Case in two short paragraphs. This fails to acknowledge, let alone address, the contract monitoring and management issues that the Council will confront with a £600m - £750m contract. The Council's procurement and contract record is appalling:

- the £10.3m additional cost of the Catalyst care home contract;
- Fremantle Trust slashed terms and conditions in care homes; Legionella in three care homes in 2011;
- the £12m Aerodrome Road Bridge replacement contract almost doubled to £23m;
- the Council spent £1.36m without a contract with MetPro Rapid Response, "...failed to comply with its CPR and Financial Regulations, exposing the Council to significant reputational and financial risks" (MetPro Audit Report, 2011). The report identified "serious deficiencies in current procurement arrangements."
- the SAP project to modernise the control of payments and purchasing was initially estimated to cost £8m in 2006. Costs spiralled to £25m and many of the promised benefits of automation have not materialised.
- the loss of £1.49m to the Council's pension fund because it failed to require a bond from the Connaught Partnership that went into liquidation. The Receivers, KPMG, have confirmed that unsecured creditors will receive less than one penny in the pound (London Borough of Barnet, Pension Fund Committee, 22 June 2011).

Large multi-service strategic partnerships are difficult to monitor and local authorities have generally under-estimated the staffing and cost of monitoring (Audit Commission, 2008).

It is essential that the contract monitoring and management section of the Business Plan is rewritten to take account of the current fundamental problems and weaknesses in the Council's procurement practice and addresses it manage a strategic partnership that is going to be subject to significant changes during the contract period.

Other key issues

Potential impact of Universal Credit

The Business Case makes only a minor reference to the effects of the new Universal Credit due to be launched by the government in October 2013. The government intends to build on legacy systems and may develop new delivery channels, which could have a major impact on staff currently delivering Housing and Council Tax benefits.

Recommendations

1. The Business Case has failed to make a strategic, economic, commercial, financial and management case for commencing the procurement process and should be rejected by Cabinet Resources Committee.
2. Given the impending changes in the organisation and delivery of local government, NHS and benefit services, the Council should avoid being locked into a long-term contract. It should commit to engage with staff and trade unions to undertake transformation in-house drawing on external support on an as-and-when basis (a practice adopted by Kent County Council and Newcastle City Council in drawing on external consultancy to support in-house transformation).
3. If the Council proceeds with current plans then it is essential that it:
 - undertakes a full risk assessment;
 - confirms the full scale of potential job losses and assesses the economic and equalities impacts with appropriate policies to eliminate or mitigate negative consequences;
 - makes a commitment to secondment or a TUPE Plus transfer of staff;
 - ensures that staff suffer no reduction in the quality of their pension;
 - commits to requiring service delivery to remain in Barnet;
 - requires contractors to pay the full rent for council accommodation;
 - designs a new fully resourced contract monitoring and management arrangements;
 - reassesses the savings forecasts to take account of the potential cost of redundancies, potential larger loss of income and the increased costs of contract monitoring and management;
 - assesses the potential impact of the CSO-NSO contract on the pension fund as a matter of urgency;
 - strengthens Oversight and Scrutiny to ensure that it carries out rigorous and regular assessment of performance and employment policies;
 - increases the resources of Internal Audit to enable more effective and continuous auditing;
 - introduces Gateway Reviews of the options appraisal and procurement process;
 - requires improved performance of the Council's external auditors;
 - rewrites the contract monitoring and management section of the Business Plan to take account of the current fundamental problems and weaknesses in the Council's procurement practice and addresses the wide range of new issues that will emerge in a strategic partnership that is going to be subject to significant changes during the contract period.

Appendix

Questions for Cabinet Resources Committee

At staff briefing sessions for the staff members that are affected by this business case a number of questions were asked that have yet to be answered.

1. The prudent savings figures are using a non-reducing baseline. This creates non-existent savings. How can you justify this?
2. Your business plan states that money will be saved on the principle of the economy of scales. However, the economy of scales is based upon the merger of information systems. How can you justify this being in the business plan when we are already in a fixture term contract of 5 years with Civica? This creates problems with the bidding stage and it may also give rise to price fixing?
3. What safe guards have you got in place in regards to the possibility of price fixing?
4. Your business plan clearly revolves around redundancies of staff. Why have the costs of redundancy not been included in the business plan?
5. In regards to the options appraisal. You state that the in house option was looked into but why has there not been a cost report done on the in house option?
6. Why did the final copy of the business plan not list the priority roles of the revenues and benefits department?
7. Why are the Housing and Council Tax Benefit department included within the business plan when the possible affect of the welfare reform could take effect in 2013, this would entail a large number of staff being taken into the DWP.
8. The building that we are currently located in (NLBP) is under a lease until 2015. This cost needs to be taken into consideration. Why is not in the business plan?
9. Will Barnet Council be paying the rent for the private company for the remainder of the lease? Where will this money come from?
10. The business plan suggests that Barnet is an expensive location for the operation of these services and you strongly suggest that it should be moved further afield. What distance from the current location would be considered to be reasonable?
11. What methods of transport would you base this distance on?
12. In relation to the revs & bens you have stated in the business plan that you will be investing in staff. How are you investing in staff if the private company are asked to remove 25 FTE's from the service under your prudent savings projection and 50 FTE'S from the service under the optimistic savings projection?

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13. When finding a suitable match to the contract requirements. What will you be looking for in relation to our pensions?
 14. The business contract is worth as much as half a billion over 10 years. If the provider fails to meet the specifications once the contract has been signed, which would result in the areas being pulled back into house. How will you meet the costs of the penalty clauses when our reserves are only 15 million?
 15. In protecting staffs terms and conditions on transfer how long will TUPE protect them?
 16. You have asked that the private company reach the savings projections that you have calculated. However you have also mentioned that expect the private company to make additional savings. What further savings are you referring to?
 17. In regards to the recent issues surrounding the contract monitoring that Barnet has in place. How can you continue with this project knowing full well that Barnet does not have the framework in place to monitor contracts of any size?
 18. Based upon the figures that you have used will council tax remain frozen at its current level over the next ten years?

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