



Proposed Transfer of the Housing Service to Barnet Homes and the Barnet Group

London Borough of Barnet



**European Services
Strategy Unit**

(Continuing the work of the Centre for Public Services)

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January 2012



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Executive Summary

Truncating the options appraisal and business case into one process, limiting the options and pre-selecting the preferred option, has led to a further deterioration in the quality of options appraisals and business cases in Barnet.

The options appraisal is very limited in scope because:

- it did not consider the option of returning Barnet Homes to in-house provision;
- the description and understanding of the options was superficial;
- the appraisal did not assess how the options would address the key housing issues in Barnet;
- democratic accountability, governance and transparency were ignored;
- there was a lack of analysis of the potential for improvement by the different options;
- the evaluation matrix was incomplete and the scoring was biased;
- tenants and residents participation was not considered;
- staffing issues and the threat of redundancies were glossed over;
- potential changes in organisational culture were not considered;
- the potential effect of savings on the quality of service and staff were not adequately identified and assessed;
- operational risks in the Barnet Group were understated.

The business case has many flaws and shortcomings:

- it does not contain an economic case, management case and only partially covers the strategic and commercial cases required in business cases;
- cost reduction is the prime focus with other important issues inadequately assessed or ignored;
- client function proposals are vague – this is a critical issue given Barnet Council's poor track record on contract management and monitoring;
- the benefits for tenants and those in housing need are limited to rhetorical statements;
- key staffing issues are ignored;
- the Equalities Impact Assessment for service users failed to include representatives of tenants and housing organisations.

Recommendations

1. The Council should undertake a full and comprehensive options appraisal that includes the option to return Barnet Homes to in-house provision.
2. The Council should ensure that options appraisals and business cases are two distinct and separate processes. Options appraisals must be comprehensive and rigorous.
3. Undertake comprehensive consultation with council tenants and leaseholders, local housing campaigns, Barnet Alliance for Public Services, and trade unions on the future of the Housing Service and the proposals for the Barnet Group.
4. Service user and community organisation representatives should be involved in service user Equalities Impact Assessments as a matter of principle.

Part 1

Introduction

The Council proposes to transfer the Housing Service to Barnet Homes (the arms length housing management organisation), which in turn will be transferred to a new Local Authority Trading Company (LATC), the Barnet Group. This report deals primarily with the transfer of the Housing Service. The potential impact of the LATC is considered in a separate report.

The Future of the Housing Service report combines an Options Appraisal with an Outline Business Case. In other words, the Business Case is drawn up *before* a decision has been made with regard to the preferred option. It is further evidence that the Council is predetermining the outcome by the selection, assessment and evaluation of options.

This approach has led to a further deterioration in the quality of options appraisal undertaken by the London Borough of Barnet (see earlier analysis of DRS, Adults, CSO/NSO and Hendon Cemetery and Crematoria options appraisals - <http://www.european-services-strategy.org.uk/publications/public-bodies/transformation-and-public-service-reform/>)

This report examines the Options Appraisal and Business Case as stand alone documents.

Commissioning Council model

Barnet Council plans to become a 'commissioning council'. The Council's Forward Plan states that a report is going to the Cabinet on 20 February 2012, entitled the Commissioning Council, to seek agreement on the future organisational arrangements of the Council. This will be the culmination of the Council's mass outsourcing policy beginning with Future Shape in 2008 followed by the easyCouncil and One Barnet approaches. Elected members and senior management have consistently denied their intention was to outsource virtually all services and functions leaving a small 'strategic hub', as Future Shape originally proposed.

Our original analysis, *Failure to Assess Options for Future Shape of the Council* (November 2008), proved correct in its analysis of the real objectives and consequences, which has led to over £9m being allocated to spent on consultants and a stream of poor quality options appraisals and business cases. Pre-selected options, bypassing a service review process, has been a common feature together with the Council's trenchant opposition to Gateway Reviews to avoid external review of the options appraisal, business case and procurement process.

The truncation of the Housing Service options appraisal and business case processes is a further deterioration in the service review and procurement process in Barnet. It is also further evidence that the One Barnet corporate policy of 'a new relationship with citizens' is spurious.

Part 2

Options Appraisal

The Options Appraisal is examined under the following headings:

- Flawed methodology
- Range of options
- Failure to consider transfer of Barnet Homes to in-house provision
- Description of options
- Assessment of options to address housing issues in Barnet
- Democratic accountability and governance
- Assessing the potential for improvement
- Integration of services
- Flaws in the evaluation matrix
- Assessment using the evaluation criteria
- Tenants and residents interests taken into account
- Staffing issues and threat of redundancies
- Changes in organisational culture
- Longer term organisational viability
- Financial savings
- Operational risks in the Barnet Group

Flawed methodology

There is a significant gap between the description of the options appraisal methodology (Appendix A) and the quality of the appraisal. References to 'captured data' and 'analysed data' are not borne out in the appraisal and the 'quantified potential financial and non-financial benefits' of the preferred option have the hallmark of a contrived appraisal designed to produce a pre-determined option. We understand the Housing Service is still in the process of developing information systems and training officers to correctly record performance indicators.

Range of options

Only three options were identified for the Housing Service options appraisal and significantly did not include the option of returning Barnet Homes to in-house provision. It was claimed that that this option was "...dismissed in May 2010" because Barnet Homes was 'performing well' (Minutes of Staff Focus Group, 22 November 2011). We could find no record of this decision in May 2010. The Housing Strategy 2010-2025 (March 2010) did not contain an explicit statement on this matter although it reported that "...tenant satisfaction initially improved when the ALMO was established in 2004, it has since remained static. In addition, leaseholder satisfaction needs to improve significantly."

This alone would have provided sufficient justification for the Council to include returning Barnet Homes to in-house provision as an option in the Housing Service options appraisal, particularly since the ALMO completed the Decent Homes programme (non-regeneration properties) in 2011.

The Housing Strategy also stated: "*The council views Barnet Homes as a potential vehicle for providing additional services on its' behalf, as well as extending its role as a provider of housing related services, and we will explore options for progressing this through the Future*

Shape programme.” This is another example of the Council’s ideology superseding all other housing, economic and social matters.

The latest Barnet Homes Priority Performance Report (September 2011, Board papers, 5 December 2011) reveals continuing underperformance in voids re-letting, despite claims that closer working with council staff has resulted in improvements. The average number of days taken to re-let empty properties (all Barnet Homes) increased from 28 to 32 days between April and September 2011, compared to the target of 25 days.

Failure to consider transfer of Barnet Homes to in-house provision

The London Boroughs of Ealing and Hillingdon have returned their ALMOs to in-house provision and Islington will do so on 1 April 2012. These authorities examined the option of continuing with the ALMO, renegotiating the agreement with the ALMO, and returning the housing management service to in-house provision and closing the ALMO.

The key issues taken into account by local authorities included:

- Tenants preferences (various consultation methods were used – tenants expressed a preference for in-house provision.
- Support and management cost savings by bringing housing management back under direct control (annual £1.69m in Islington, £1.75m - £2.0m in Ealing).
- Long-term stability of the housing management service.
- Meeting wider residents needs with better integration of housing management with other Council services.
- Feeling of longer-term security of tenure under direct local authority control.
- Strategic review of the ALMO vehicle.
- Performance of the ALMO.

Description of options

The description of the three options (para A.2.2) is superficial and does not detail their scope or the level of interest that could be expected by particular types of housing associations or private contractors. For example, the in-house option refers simply to “...required reductions in budgets and service improvements led by existing management team”.

There is no analysis of the outsourcing market for housing services, the key companies and RSLs, or whether outsourcing the housing service would attract bids. The existing management team is consistent in all three options, so why is this singled out only for the in-house option. Similarly the in-house housing service could be co-located with Barnet Homes with pressure brought to bear on Barnet Homes not to seek to relocate to an alternative site within the borough. So even the descriptive differences are spurious.

Assessment of options to address housing issues in Barnet

The local impact of the Coalition Government’s other housing policies, such as increased discounts to spur more council housing sales, fixed term tenancies and up to 80% market rents, are not examined.

Research by the Chartered Institute of Housing revealed that 800,000 homes will be out of reach of low income families as a result of the capping of housing benefit from 1 January 2012. There will be more tenants than available homes that are within the Local Housing Authority rates for those who rely on housing benefit – in London and the South East a quarter of million homes are now beyond the reach of housing benefit. The loss in Barnet is estimated to be 7,400 homes, although no data was available on the number of homes remaining available to 14,750 recipients (Guardian, 2 January 2012).

Democratic accountability and governance

The options appraisal does not address the important democratic accountability, governance and transparency issues that arise from the transfer of the Housing Service and the formation of the LATC. Concerns about the client function are discussed in Part 3.

Ownership and representation on the Barnet Group Board are only the basic elements of governance and do not automatically lead to democratic accountability and transparency.

Irrespective of initial Council ownership of the LATC, there will be a contractual relationship with the Council. But Barnet Council's track record of contract management and monitoring has been exposed as being weak and ineffective. An arms length relationship must not be treated any differently than a private contractor or social enterprise.

It was a major error that democratic accountability, governance and transparency was not included in the evaluation matrix (pages 35-36) or the evaluation themes (pages 40-41). Neither even mentioned these vitally important issues.

Apart from rhetorical statements such as 'putting the customer at the heart of service delivery' and 'transform the customer experience', tenant and service user involvement was also not included in the evaluation matrix or evaluation themes. This is another important omission.

The creation of the LATC, Barnet Homes as a subsidiary, means that an additional company structure will operate between the Council and Barnet Homes. The threat of less transparency with an additional opportunity to use 'commercial confidentiality' has also been ignored.

Potential conflicts of interest may arise if Barnet Homes disagrees with the assessment of housing need, for example, rehousing a tenant evicted by Barnet Homes. In addition, preventing the 'cherry picking' of clients by Barnet Homes and/or housing associations may also raise conflicts of interest. The company structure may lead to these conflicts of interest being more difficult to resolve.

Assessing the potential for improvement

The Business Case assesses the "...*potential opportunities for service improvement*" but only for Barnet Homes. The options appraisal assumes that the transfer of the Housing Service to Barnet homes is the preferred option. As a consequence, there is no assessment of the way in which the three options could improve the housing service.

This is a major omission given the stalled performance of Barnet Homes noted earlier and the admission that the full benefits of the lean review have yet to be obtained in the Housing Service and Barnet Homes. Significantly, the potential benefit of combining the two services within the Council has not been assessed.

The options appraisal and the business case sometimes recognise potential problems, such as the risk of increasing cost of the temporary accommodation function as a result of increasing demand and declining availability of private rented accommodation. However, it does not address the financial and operational implications of increasing demand at a time of further annual spending cuts and reductions in staffing levels.

Integration of services

The Council is claiming there is a benefit in combining the Housing Service with Barnet Homes, but this will place the whole housing service at arms distance from the local authority. It could turn out to be a more costly and complex method to address the needs of Barnet residents. There are important differences in the management of temporary accommodation and management of the council housing stock that could mean the supposed economies of scale are not obtained or take much longer to materialise.

Irrespective of agreements and specifications with Barnet Council, transferred organisations build up their own identity, legal obligations which place Board Members/Directors with a duty to safeguard the interests of the company first and foremost, and expansion plans that will include other Boroughs and services. In fact the Council is encouraging this approach, but ignoring the potential consequences for Barnet residents, the housing service and staff.

Flaws in the evaluation matrix

The evaluation scores in para 3.13 are unsubstantiated because there has been no clear identification of what each option consists of, nor is there analysis and commentary of how each option fulfils the requirements. There are several anomalies in the scoring – why does Barnet Homes score twice as many points as the in-house option on price, pace, and performance? How does the outsourced option score twice the in-house option on investment when the Council would still have to finance it? The comment on ‘pace’ in Appendix B that the in-house option “...provides no additional impetus to generate further performance improvement or to manage cost reductions” is a poor reflection on the capabilities of the existing management that will transfer to Barnet Homes (although the purpose is to reduce to the potential score of the in-house option).

Appendix C mirrors the preceding scoring. Appendix D is classic bias. For example, the statement that “*Potential reduction in staffing requirement and service reductions resulting in tougher working environment*” becomes “*Potential reduction in staffing requirements more likely to be delivered whilst maintaining service levels*” in the outsourcing and Barnet Homes options. A negative is transformed into a positive!

The Evaluation Matrix is based on a series of assumptions that underpin the scores, but these need to be transparent. The Evaluation themes (A.2.1, page 21/22) does not provide this - they are simply another re-working of very broad objectives around the three One Barnet themes.

Assessment using the evaluation criteria

There is a significant lack of evidence connecting the six improvement criteria (para 3.10) with how they would be implemented by the three options. No details of service improvements are provided. Six key areas of improvement are identified in para 3.10 but they are only questions and linked themes on page 17. “...*the Housing Service needs to be delivered differently*” (para 3.14) but no evidence is supplied to:

- a. identify the cause of under-performance in the past;
- b. assess the effectiveness of recent changes in service delivery;
- c. clarify if the captured/analysed data compared the efficiency of the current system to the ‘pre’ or ‘post’ lean system;
- d. identify how performance could be improved by each option.

The Housing Service and Barnet Homes have been subjected to a ‘lean review’ with external consultants at considerable expense to council taxpayers, followed by a major restructure. There should, therefore, be no justification for the paucity of information and analysis in the options appraisal. There can be only two reasons – the qualitative information and evidence is not available (a damning indictment) or it has been withheld to safeguard the pre-determined Barnet Homes option.

Tenants and residents interests taken into account

The interests of existing and prospective tenants, the statutorily homeless and others who approach the council for assistance with rehousing are not fully taken into account. Options Appraisals and Business Cases should be the means by which objectives are put into practice and policies assessed in terms of their impact on tenants and residents. However, both

documents fail to do this because they are pre-occupied with the repetitive One Barnet rhetoric.

- Have tenants and tenants organisations across the Borough been consulted about the options appraisal and what were their views?
- Have other housing organisations in the Borough been consulted about the options appraisal and what were their views?

Staffing issues and threat of redundancies

The assessment of the potential delivery options on staff is naïve, incomplete and demonstrates ignorance of the outsourcing market (Appendix D). The well being and interests of London Borough of Barnet staff are treated superficially.

Firstly, many of the benefits in the transfer option also apply to the in-house option.

Secondly, many of the statements in the outsourcing option are not applicable and all the negative consequences of outsourcing for staff have been omitted.

Thirdly, three of the four statements in the in-house option are contrived to be negative, whilst exactly the opposite approach is taken to hype up the benefits of transfer.

Finally, the Council's version of TUPE Plus offers little additional protection, and falls well short of the standard TUPE Plus model. The requirement that terms and conditions cannot be changed in the first year of the contract simply reflects the practice of most contractors; significantly, it does not prevent the new employer from making staff redundant in the first year; enabling staff to remain in the Local Government Pension Scheme is important, but can be made a condition of contract.

Staff are particularly concerned that Barnet Homes will implement job cuts once the transfer of the Housing Service is completed. The Council has yet to put in place safeguards for staff and to protect services.

Changes in organisational culture

The culture within the Housing Service will change, as will that of Adult Services being transferred to the LATC, and further changes are likely as a result of:

- The Housing Service being transferred out of the Council to an arms length company and subsidiary of a holding company.
- A contract culture will emerge as the companies bid for contracts in other boroughs and provide services to a more diverse range of clients.
- The type and scope of services may change, increasingly dictated by market forces, bidding strategies and Barnet Group priorities that dissipate the needs of Barnet residents.
- Changes in industrial relations and human resources are likely as the organisation becomes a contractor bidding, losing, winning contracts.
- Additional subsidiaries are created to provide other contracts and services.
- Contracting will also mean more TUPE transfers as contracts are won and lost leading to further rounds of financial/employment dominated rationalisation.
- The threat of the Council, or the Barnet Group seeking, the sale of a shareholding in the company or full privatisation.

Longer-term organisational viability

The options appraisal and business case lack an analysis of longer-term trends and their implications for the Housing Service, Barnet Homes and the Barnet Group. General statements on expansion plans are rarely adequate or come to fruition.

Financial savings

The Housing Service is required to make general fund savings of £400,000 in 2012-2013 as part of the Council's £53m cuts over the next three years. Housing Service staff are very concerned that the 2012-2013 and longer-term financial issues were not adequately identified and assessed in the options appraisal. They include:

- Proposed 10% staffing reduction in advice, assessment and landlord function – few synergies, increased demand, scarcity of private rented sector accommodation and impact on people seeking housing.
- Differences between managing short-term accommodation and managing permanent stock will be overlooked in the search for savings in the merger between the Housing Service and Barnet Homes.
- Lack of analysis of the likely increase in the demand for services and potential impact on the Housing Service, Barnet Homes and those seeking temporary and permanent housing.
- Concern that the planned savings in the Housing Revenue Account will be larger than stated in the options appraisal.

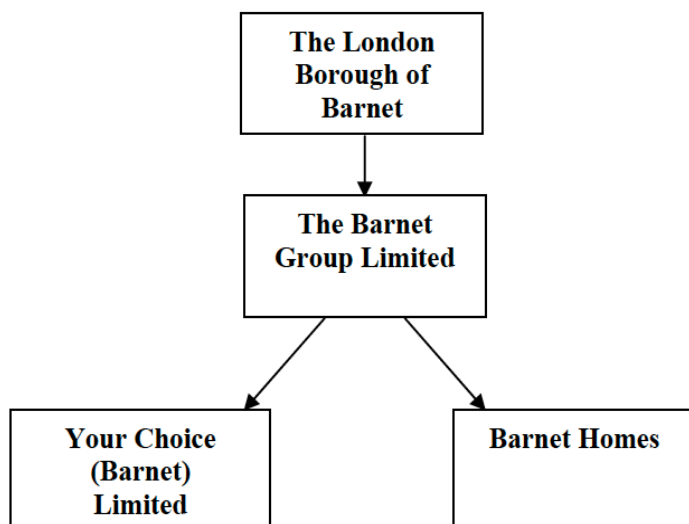
In addition, three or four staff will be transferred (TUPE transfer) to the new Customer Services Organisation contractor to 'ensure there is a smooth interface between the Housing Service, Barnet Homes and the CSO', but little analysis of the staffing and operational implications.

Operational risks in the Barnet Group

The options appraisal completely ignores key issues that will have a major influence on the delivery and management of the Housing Service in the Barnet Group structure.

"It will be necessary to ensure that the obligations which Barnet Group Limited takes on are fully passed down to Barnet Homes as the operating company. Otherwise, risk will sit in Barnet Group Limited, and as a holding company, it will have little room or capital to enable it to manage and defray such risk" (Outline Business Case, para 8.1).

In effect, Barnet Homes will be a third tier organisation, with key policy-making made by the Council and Barnet Group Ltd – see diagram



It is a classic corporate holding company structure in which all the operational risks, which are increasing as the recession deepens and public spending cuts continue, will have to be dealt with entirely within the Barnet Homes subsidiary. This will impose major pressures on staff to

increase efficiency and productivity whilst managing increasing demand with declining resources. Any previous organisational and financial flexibility will be lost. This is very important politically, because the Council will be able to make policy decisions and be able to claim that they are not responsible for the service and employment consequences of those decisions because Barnet Group Ltd and Barnet Homes are the contractor and employer.

Part 3

Outline Business Case

The Business Case has been assessed as if it was a separate document prepared after the options appraisal had been completed and a preferred option approved.

Scope and content of the Business Case

A Business Case should comprise five elements:

- a. Strategic case
- b. Economic case
- c. Commercial case
- d. Financial case
- e. Management case

However, the Housing Service Business Case does not contain an economic or management case and the strategic and commercial cases are only partially complete.

Objectives of the business case

The Business Case cites three objectives – to identify the non-financial benefits of the transfer to Barnet homes, to articulate a robust baseline and the scale of financial savings, and to “...test the deliverability of the proposal recommended in the options appraisal. It will be developed further subject to the decision taken to proceed” (page 55). This is disingenuous.

The options appraisal and the business case were prepared in parallel and thus have similar flaws. The recommendation (decision) to transfer the Housing Service to Barnet Homes and to transfer Barnet Homes to a new Local Authority Trading Company was made many months ago. The decision by the Cabinet Resources Committee in January 2012 is likely to be a rubber-stamping exercise.

Existing delivery arrangements (Appendix A) are described in two and half pages and merely contain a few key facts and limited performance information. There is no analysis of existing delivery arrangements.

Focus on cost reduction

The bulk of the Outline Business Case is focused on cost reduction. There is no reference to how the Housing Service will be merged into Barnet Homes, what problems may be encountered or the measures that will be taken to ensure this is mitigated. There is little analysis of the potential effect of the cost and staff reductions on service delivery and tenants/service users. Both the options appraisal and business case make reference to changes in the demand for housing, but they are not examined in sufficient detail to be able to assess the potential financial, operational and organisational implications for the Housing Service and Barnet Homes.

But the full financial costs of the Barnet Group remain uncertain. For example, the taxation position is still “under review” (page 71). Barnet Homes could be subject to corporation tax with “...any additional profits earned as a result of the transfer of these functions could result in an additional cost.” A degree of surplus or profit is required for reinvestment in staff training and new equipment. This could be lower than anticipated leading to further cuts or a quest for higher profits to offset taxation resulting in further pressure to increase productivity.

Limited potential for improvement

The scope for improvement is limited to obtaining financial savings. Given that the options appraisal evaluation assumes that Barnet Homes is far superior to the other options in the potential to improve, the absence of a broader assessment is stark.

Client management function and costs

The staffing and cost of the client management function is not quantified in the business case. The proposals for the client function remain vague and must be addressed as a matter of urgency if the Council is to avoid adding further failures Barnet Council's long list of client and contract monitoring failures.

Firstly, the delivery of the client function is unclear. The business case states: *"The location of that function (currently in scope for DRS) may also need to be reviewed to ensure the Council retains control of the strategic direction of housing and has sufficient resources to deliver those functions that cannot be delegated"* (page 66). So currently the DRS private contractor, either Capita Symonds or FM Conway/EC Harris, will be providing the client function! Retaining the client function in the DRS contract could lead to new and costly client management problems.

Secondly, the scope and staffing of the client function are not discussed in any detail in the business case. The business case states that the Council *"...will also need to consider how the housing client function can be integrated with proposals for the client function for the One Barnet Group generally"* (page 66). This statement indicates that the options appraisal and the business case were prepared with little idea of the scale and cost of the client function and the cost of management of the LATC.

Thirdly, *"Consideration will be given to an increase in client costs of around 2.5% to strengthen the function further if required on further analysis"* (page 66). But what is 2.5% of the client costs and how will it be funded?

Fourthly, another section on client management in the business case (pages 78-79) has a number of vague statements, for example, *"The council's intention to move to a strategic commissioning model dictates that strong performance management and governance of service deliverers and commissioners take place at different levels."* Client management will have to take account of changes in the transfer of housing finance from central to local government from April 2012, but the key client functions for the Housing Service and Barnet Homes, the Barnet Group and outsourcing of DRS have yet to be finalised and costed.

Over optimistic mitigation of risks

The key risks (pages 73-74) identify the potential risks associated with a poorly designed business case, inadequate specification, problems during transfer, and policy and spending cuts imposed by central government. However, it excludes the potential risk of internally generated service delivery, management and/or governance problems arising within Barnet Homes or the Barnet Group.

The mitigation of a poorly designed or structured business case is claimed to be: *"A detailed business case will be developed in consultation with staff at Barnet Homes and the Council to ensure savings projections are intelligently implemented, the impact on customers is minimised, and the potential for service improvement is maximised."* But Barnet Council has failed to engage staff and trade unions in any of the One Barnet proposals to date, so this statement is not credible. Staff cannot be held responsible for ensuring *"savings projections are intelligently implemented"* when the business case is fundamentally inadequate.

Benefits for tenants and those in housing need

The business case has a series of statements under the One Barnet 'principles' of 'a new relationship with citizens', 'a one public sector approach' and 'a relentless drive for efficiency'. It claims "the service will" achieve 24 objectives.

Many of the objectives could be achieved by an in-house option that included the return of Barnet Homes to the Council, particularly those that referred to creating a 'single housing focused organisation', joining-up housing services and obtaining economies of scale.

The objectives were generally 'mission statements' that have little connection to the escalating housing crisis in London and nationally, the scale of the economic recession, public expenditure cuts over at least the next four years, or to the Council's policy of outsourcing virtually all services.

The business case fails abysmally to indicate why the transfer of the Housing Service to Barnet Homes and the formation of a Local Authority Trading Company is the better option to achieve the objectives. It fails to do so. (A new Barnet Homes Business Plan will have to include practical proposals that will contribute to achieving the objectives).

The One Barnet claim to 'a new relationship with citizens' does not extend to regarding representatives of tenants and residents organisations and housing campaigns as stakeholders in the Housing Service options appraisal, business case or the equalities impact assessment (page 89). A 'citizen-centred council' that ensures that 'citizens get the services they need to lead successful lives' cannot be achieved without their involvement.

Key staffing issues ignored

The claimed benefits for staff are virtually the same as those in the Housing Service options appraisal (Appendix D). The claimed benefits are concentrated on 'personal and professional development' in a single service. It is presented as a win-win situation for staff with no potential negative consequences whatsoever. The potential impact of working for an arms length company that could eventually be privatised is ignored.

The issues raised in the analysis of the options appraisal (part 2 of this report) are also applicable to the business case.

Equalities

The Council carried out an Equalities Impact Assessment (EIA) for employees and a separate EIA for service users or 'customers'. However, the EIA for service users was carried out with staff representatives (internal stakeholders were the staff consultation group and the Project Team, page 97). UNISON was not involved in either of the EIAs.

The Council's approach was "*...to try to determine the levels of risks to communities and to the Council, where policies will have a positive impact on some groups and where there is a risk of a potentially detrimental effect on others*" (page 95). Retention of the in-house service was considered a medium to low risk, transfer to Barnet Homes a medium risk and outsourcing a high/medium risk. The Council finally concedes that outsourcing is a high risk strategy!

A "snapshot of customer data" and a risk assessment template were used to identify the key risks associated with the three options. A full Equalities Impact Assessment was considered unnecessary because the score was well below the threshold required for a full EIA.

There can be no justification why a group of tenant/resident organisation and housing campaign representatives were not involved in the service user EIA.

Part 4

Critical issues

The attempt to truncate the options appraisal and business case processes failed to produce a comprehensive and rigorous options appraisal and the business case does not conform to the basic structure recommended by HM Treasury.

The options appraisal deliberately excluded the option of returning Barnet Homes to direct control and integrating it with the in-house housing service. It was a cost and ideologically driven appraisal, high in rhetoric, but with few practical proposals.

It has led to a further deterioration in the quality of the options appraisal and business case processes, each of which has a distinct purpose and objectives. Merging them into one process negates the required comprehensiveness and rigorous analysis to ensure the Council fulfils its financial, economic, social and statutory obligations.

The Council has a legal duty to consult council tenants on significant changes to the management and maintenance of their homes. The transfer of the Housing Service to Barnet Homes, in parallel with the establishment of Barnet Homes as a subsidiary of the Barnet Group, constitutes a significant change. Yet there is no evidence of a full and proper consultation having been carried out. Tenants are unaware of the issues and potential consequences of the diversification and geographic expansion of the Barnet Group into other services and local authorities.

Part 5

Recommendations

1. The Council should undertake a full and comprehensive options appraisal that includes the option to return Barnet Homes to in-house provision.
2. The Council should ensure that options appraisals and business cases are two distinct and separate processes. Options appraisals must be comprehensive and rigorous.
3. Undertake comprehensive consultation with council tenants and leaseholders, local housing campaigns, Barnet Alliance for Public Services, and trade unions on the future of the Housing Service and the proposals for the Barnet Group.
4. Service user and community organisation representatives should be involved in service user Equalities Impact Assessments as a matter of principle.

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