

Bradford's outsourcing agenda:

Assessment of Proposals

April **2001**

Researched and written by

CENTRE for PUBLIC SERVICES

Research • Strategy • Planning • Training



Bradford Metropolitan District Branch

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The Centre for Public Services is an independent, non-profit organisation. It is committed to the provision of good quality public services by democratically accountable public bodies implementing best practice management, employment and equal opportunities policies. The Centre was established in 1973 and operates from a base in Sheffield. It has unrivalled experience of working with local authorities, other public bodies including the Improvement and Development Agency and the Equal Opportunities Commission, trade unions and community organisations and specialises in research, strategy, planning and training.



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Executive Summary

Change programme: in whose interest?

Bradford City Council's "Change Programme" has a number of key components which, individually and collectively, will have a major impact on the future of Bradford City Council and the city itself. These include:

- * **Proposed transfer of Bradford's housing stock (27,000 homes) to Local Housing Companies.**
- * **Local Education Authority strategic partnership with the private sector.**
- * **Proposed strategic partnership for Information and Communications Technology (ICT) over 10 years.**
- * **Asset management partnership involving a 25 year joint venture contract.**
- * **Proposal for City Centre Company.**

This report highlights the privatisation agenda behind these initiatives and argues that they represent a precarious strategy. It also illustrates the high risks to frontline service delivery across the city and, in particular, to some of the most deprived wards in the UK.

Implementation of the outsourcing proposals would directly contradict many council priorities established through the Community Plan - rebuilding communities, local regeneration, better education for all, and a healthy environment.

Plethora of contracts

The proposed privatisations, presented in the language of partnership and outsourcing, are far reaching. The intention to establish a series of major contracts will amount to complex contractual arrangements whereby the city council is the client and the majority of services are run by private management consultants and

contractors. If implemented, the strategy will have long term implications for the city's economy.

Scale of change not sustainable

The outsourcing and privatisation initiatives conflict with the council's social, economic and environmental aims. They are also unsustainable. The scale of change will be difficult to manage and unlikely to result in improvements to the city or its residents. Councils need to be strategic to manage the Government's modernisation programme. They also have to deliver direct service improvements to the local community. This report argues that the political leadership of the council is misdirected and the privatisation agenda will create further social and economic problems in a city already under pressure.

Disposing of Bradford's assets

The proposed transfer of the city's housing stock to a Local Housing Company, in addition to the privatisation of City Centre management and related services, will cause a major loss of assets. There are fears that some of the city's prestigious facilities, such as St. George's Hall, will also be sold off. The sale of valuable assets at reduced prices would create high risks for the city. Council tax payers will also be paying for the costs of the sales, which in housing alone could amount to over £16m.

Business rather than social needs

Several large multi-service, multi-million pound contracts with private contractors will inevitably mean that services are increasingly organised and operated on business and commercial criteria. The council is focussing on one-track, limited solutions through partnerships and transfers. The result is a fragmented approach involving restructuring, rationalisation and the loss of economies of scale. The more transfers there are,

the more likely that there will be consolidation through mergers or takeovers at a later stage.

Open-ended contracts

Strategic Partnership contracts, such as those proposed for education and ICT usually include a range of support services such as finance, personnel and administration. The private sector will negotiate over the other services to be included in the contract. Their choice will be based on commercial criteria and a profit motive, rather than community needs or public service requirements.

Procurement of this type involves complex legal and financial arrangements. Once up and running, the city council will ring fence a multi-million pound contract for key services which will be difficult to alter. Any future budget cuts could be concentrated in frontline services retained by the council, rather than those outsourced.

Private consultants advise on key policies

The council has depended heavily on the advice of private sector consultants for its latest moves to privatise services. This advice is selective and driven by a business ideology. Consultants working in local government tend to promote privatisation and outsourcing. They fail to place importance on public sector values, the specific needs of the city, of disadvantaged communities and the particular ethnic diversity found in Bradford. Last year alone the following consultants have advised the council on future strategies and potential privatisations:

- * **Pricewaterhouse Coopers** - Commissioned to work with the council on how to work with external partners to improve education standards.
- * **Deloitte and Touche** - Work on ICT strategic partnership options.
- * **HACASChapman Hendy** - Report on options for Bradford's housing stock and future work on preferred transfer option.

- * **KPMG** - Auditor for Bradford City Council.
- * **Barony** - Best Value review of maintenance services

Housing

The council has recommended a whole stock transfer to a Local Housing Company. HACASChapman Hendy, the consultant advising the council, has adopted a familiar set of arguments to support its case for transfer - increased investment, improvements, better repairs service, greater tenant involvement and protected rents. These assumptions are neither proven nor supported by detailed evidence. This report challenges the consultant's arguments. It recommends that the council explores with the involvement of tenants, alternative public sector options.

The recommendation to transfer is only one of the initial steps in a long and expensive process. Transfer is wholly dependent on tenant support through a secret ballot.

Strategic partnerships

By proceeding with major education and ICT partnerships, the council could lose control of core services. The potential value of the work is enormous. The loss of control, and with it democratic accountability, will inevitably impact on other frontline and support services.

Under strategic partnerships an incoming contractor will expect to establish a business centre in the city from which to run the council's services. Property speculation could be tied up with private sector proposals and there may be a relocation threat for many staff.

In the longer term the contractor's business centre could take on work from a number of public and private contracts, in which Bradford's work is of decreasing importance. The private firm could use the council contract to launch bids to win other work and nor would it necessarily be dedicated to delivering city council services.

Privatisation pre-determines Best Value

Bradford City Council has set out a clear format for conducting Best Value reviews, within the remit of the Government's guidelines, but this has been totally overlooked in the outsourcing proposals.

The core theme of Best Value is continuous improvement, but this is not recognised in the reports from management consultants. They do not seriously consider in-house action plans to improve the delivery of housing, education and other services in Bradford.

It appears that little or no regard for the Best Value framework has been made in Bradford's Change Programme.

Outsourcing and partnerships would involve procurement, thus preempting the Best Value process and pre-determining the likely options. Best Value and procurement are distinct processes with specific legal obligations regarding consultation, disclosure of information and management requirements.

Consultation

Bradford's residents, community and user organisations are unlikely to be consulted about the future of the key frontline and corporate services under the privatisation proposals for education, ICT and property. There has been consultation with relevant bodies on the Best Value reviews but not on the strategic partnership proposals.

The Government and Audit Commission have recognised that employees are crucial to the management of change in local government. The recent Improvement and Development Agency (et al. January 2001) report on employee and trade union involvement highlighted the strong benefits of staff participation at all levels in local government. This approach must be fully recognised in the Change Programme.

Limited protection for staff

Each of the transfer plans will involve staff moving to a new employer. A TUPE

transfer would provide some protection for existing staff but none for new staff. Virtually all private contractors operate a two-tier wage policy.

Corporate impact

Options which involve the transfer of major service areas will have a substantial knock-on effect and cost on the city council and individual departments. This has not been fully identified or accounted for in the assessment of options, either in consultants' reports or by council option appraisals.

The cost of procurement and the diversion of officer time will inevitably affect the quality of service delivery and the implementation of the change programme.

Regeneration strategy at risk

The level of city council and local community influence on regeneration in Bradford will depend on retaining city council run housing, education and related services. The potential fragmentation of housing and services such as repairs and maintenance from other services is likely to reduce the council's influence over policy implementation. It will also make integrated approaches to regeneration more difficult.

Social and economic impact

The city council is a major local employer. Strategic partnerships involving rationalisation, redundancies and relocation will have dire consequences for the people and communities of Bradford.

Procurement on this scale will seriously affect the city's progress on equalities, social inclusion and targets for future improvements. There has been no attempt to mainstream equity and social, economic and environmental sustainability in the Bradford Challenge proposals.

Community strategy

The Local Government Act 2000 places a new duty on local authorities to promote the economic, environmental and social well-being of their area and to prepare a community strategy. This replaces the requirement to produce an economic development strategy. The council should take account of these requirements in the light of the size of the proposed partnerships and their implications for public services and the local economy.

High risk

Strategic partnerships and housing transfers in major cities are new to local government. Their financial viability, public costs and service delivery are uncertain. However, it is widely known that many of the national and local government privatised contracts have proved disastrous. There are no guarantees of experience or track record to show that the private sector can deliver the investment and change regarded as essential to service improvement in Bradford.

Viable in-house alternatives

Best Value provides a clear framework for improving local authority services. The privatisation plans undercut this approach. Under the Best Value reviews officers have drawn up a series of proposals to continue developing and improving services and achieve efficiency savings. There is considerable scope to prepare Service Improvement Plans to consolidate the improvements and savings already in progress, whilst extending the process across a range of services.

This report sets out a series of practical recommendations for service improvement strategies for Bradford's key programme areas.

Introduction

Bradford City Council is planning a "Change Programme" with the assistance of private consultants Deloitte & Touche, involving the privatisation of numerous council services. The implications of such a scheme will be far reaching. Under the programme thousands of local jobs will be transferred to the private sector. This will cause serious problems for Bradford's economy and the local community.

The Change Programme has a number of components:

- * **Strategic partnership for ICT over 10 years.**
- * **Local Education Authority partnership with the private sector.**
- * **Housing stock transfer of 27,000 council houses out of local authority ownership and control.**
- * **Asset management partnership involving a 25 year joint venture contract.**
- * **Proposal for City Centre Company.**

In addition, the Chief Executive is proposing to restructure the council.

The language of partnership sounds enticing, but in effect usually means privatisation through contracts with the private sector.

Methodology

The Centre for Public Services was commissioned by UNISON Bradford Metropolitan District Branch to write a report on the partnership and privatisation proposals. The report aims to contribute to a wider debate about the future of local public services in Bradford and highlight the key issues for consideration.

The Centre analysed the council's proposals and has based its recommendations on a comprehensive assessment of council reports. The research was conducted between January and March 2001.

The report does not attempt to provide a detailed assessment of each proposal, but raises many of the fundamental and strategic issues for the future of local government in the city.

Implementing the Enabling Council model?

Bradford City Council appears, once again, to be embarking on the enabling model promoted by the Pickles era of the early 1990's (The Bradford Experiment: Counting the Cost, 1990). Outsourcing and transfers of key services will inevitably lead to externalisation and privatisation of other council services, along with a much reduced role for elected members.

Part 1

Bradford Challenge: ICT

Bradford City Council is currently exploring options for a Strategic Partnership for ICT services. In a brief report to the Executive Committee in October 2000, the Chief Executive set out various proposals which mark a clear intention for a strategic partnership for Information and Communications Technology (ICT) in the city.

"At the heart of the Bradford District Council Challenge is the desire to provide employees with the capability to understand and then meet the changing needs of our customers. Challenge will seek to provide training and development for employees, advance the use of Information and Communications Technology (ICT) and attract inward investment which will then be used to improve accommodation and provide the support to our staff to enable them to deliver our goal of improved services for all".

(Report to Executive Committee,
17th October 2000).

The report asserts that more emphasis will be placed on resourcing services instead of supporting back office administration and that customers will be given choices as an alternative to making cuts.

The principles of change presented are generalised and there is no supporting information to back up the claims:

- *It will create new ways of generating inward investment for improvements to service delivery such as better ICT and improved customer and employee environments.*

- *It will challenge us to respond differently and highlights the need for an integrated approach to deliver:*
 - * *Better education for our children*
 - * *Improved housing for our tenants*
 - * *Better repairs and maintenance service for our housing stock*
 - * *More responsive customer service*
 - * *Improved access for all*
- *We will invest in training our staff to ensure that they have the skills and capabilities to deliver these improvements in services.*

Management consultants Deloitte Touche have been employed by the council to look in further detail at partnership arrangements. This company has a strong track record in advising councils on outsourcing and externalisation.

- * No detail is provided about how any of the above will be achieved.
- * There is no reference to the financial and legal implications.
- * Implications for equal rights, sustainability and trade unions are understated.
- * The business case for such an arrangement is currently being explored.

If the council proceeds with a strategic partnership, it may lead to the privatisation of a wide range of services to a private contractor in a long term, multi-million pound contract. A provider strategic partnership will consist of a contract between the city council and one large private company to provide council services. In Lincolnshire, Middlesbrough and Bedfordshire a strategic partnership for ICT was negotiated with the preferred bidder to include a large range of core functions in contracts involving over 1,000 jobs each. In each case the successful contractor was Hyder.

Frontline service improvements under question

The Chief Executive's statements assume that a major partnership, concentrated in back-office administration, will drive improvements in frontline services. There

is no research documentation to support this. Many of the major problems in delivering public services arise out of over-ambitious ICT strategies which are unsustainable and fail to deliver key services to the public.

A strategic partnership will fragment, rather than integrate, council services. The "back office" administration which usually includes information services, finance and personnel will be operated in a contract which is totally separate from frontline services. Our research and experience elsewhere shows that this will not help in improving service delivery, quite the reverse. There will be two or more employers working in key services with differing terms and conditions of employment. This will not help improve frontline social care, housing and education services.

Technological improvements do not require outsourcing

The case for a strategic partnership represents a confused approach which could mix the acquisition of technological expertise with outsourcing back office services. Instead the council should identify how new skills and investment can be acquired in a strategic and effective way which will meet the future service needs of Bradford's residents.

Technological dependency

Under proposals for a strategic partnership focussed on ICT, the council could become highly dependent on its relationship with a private firm for its ICT services.

Most partnerships involve large scale, long term contracts with a private supplier. The risk of being tied to one ICT provider is especially high now with evidence of accelerating costs of projects, e-commerce failures and companies facing a collapse in technology share prices.

E-government targets need to be managed

The Government has produced two reports drawing out the lessons to be learnt from these projects and

establishing best practice. It has urged for IT initiatives to be broken down into manageable projects. The House of Commons Select Committee on Public Accounts and other Select Committees have produced a series of reports detailing major technological, financial and management problems with central government ICT partnership contracts.

High risk

Research by the Centre for Public Services shows that ICT partnerships with the private sector face major problems. This reflects the sector's failure to fully understand the needs of public services. Problems have occurred in contracts operated by leading firms. Cross cutting ICT initiatives are particularly difficult to implement and technology often does not fit closely with the demands of service users. It must also be recognised that experienced and committed public sector staff are crucial to running such services.

Five major ICT contracts have been terminated - in Hackney, Kingston upon Thames, Lambeth, Taunton Dean and Wandsworth. Fourteen other local authorities have suffered major service failures, delays and backlogs from privately operated revenue and benefits contracts. Tenants and housing associations have borne the brunt of these failures. In a recent report by the Benefit Fraud Inspectorate (December, 2000), two privatised housing benefit contracts in London (Islington and Ealing) were heavily criticised, whilst two in-house contracts (Greenwich and Lewisham) were praised for their high quality service.

Responsibility for risk is written into contracts between the council and contractor but it will be the people of Bradford who will experience the consequences of any failure to provide services.

Terminating failing contracts

If the council went ahead with an ICT partnership it would be extremely difficult and costly to terminate if the contractor fails to provide the required quality and level of service. Lambeth and Hackney

councils have had great difficulty in trying to withdraw from revenue and benefits contracts. Sheffield City Council employed a second private contractor to advise on tackling the major delays and service failures in its CSL contract.

Alternatives for resourcing ICT

Local authorities are meeting the challenge of ICT investment in a number of ways. Many are seeking to retain the key services in-house whilst drawing on external assistance as and when required, rather than risk the wholesale transfer of the service. We recommend that:

- ◆ The council develops a manageable ICT strategy which seeks to acquire new hardware, software and the required level of expertise and training over a fixed period. This should seek to be a planned, practical and cost effective method of improving service quality, maintaining continuity of service and minimising disruption and staff insecurity.
- ◆ Evaluation of options for ICT should include contribution to the council's ICT strategy, whether the programme of investment is sustainable and how it will impact on the interface between support and core council services.
- ◆ Staff should remain employees of the city council and the transition to new systems should be negotiated with the full involvement of trade unions and service users.

Part 2

Local Education Authority: improvement plan

The Office of Standards in Education (OFSTED) published a critical inspection report of the Local Education Authority (LEA) in May 2000. The council and DfEE appointed private consultants Pricewaterhouse Coopers to determine how the council would work with external partners.

Key weaknesses identified included:

- * Leadership
- * Relationship with stakeholders
- * Resources, buildings and school reorganisation
- * Support for school improvement
- * Personnel practices and procedures in schools
- * Ethnic minority and achievement
- * Special educational needs and access.

Five options presented by Pricewaterhouse Coopers were:

- * Reformed in-house
- * Public: Public Partnership
- * Joint venture
- * Outsourcing
- * Public: Private Partnership

An options evaluation recommended a Strategic Partnership of Education services which would result in a clear separation between delivery of the service and policy making.

The key arguments used were:

- * Involvement of an external partner to deliver a substantial education service.
- * Clear step-change in service delivery.
- * Continuous performance improvement.

- * Best practice from private and public sector.
- * Public accountability and joint council, stakeholder partnership.
- * Alignment of risk and responsibilities.

Under this option, the private contractor would deliver the services to schools and present proposals on strategic policy to an Education Policy Partnership.

Direct Service Provider: It is intended that the key external involvement will be the outsourcing of all direct service functions (operational role). It is also expected that the external contractor will have a strategic role in developing educational plans and strategies. It is intended that all services, and with them a workforce of around 3,000 staff (apart from Early Years and Youth Services) will be transferred to a private contractor.

Contract arrangements: The contractor would be accountable to the council through a contract which specifies the service areas.

School Support Services: The contract for the Local Education Authority support services would affect 1,200 staff (UNISON estimate) and is likely to include:

- * facilities management to schools
- * inspection, support and advice
- * human resources
- * pupil services
- * learning support
- * music services
- * special needs
- * educational technology service
- * financial support
- * schools review
- * educational social work
- * welfare transport
- * literacy and language team
- * minority language teachers
- * psychological services
- * outdoor education

There are also proposals for education catering and cleaning services to be transferred to a management buy-out. This would involve the transfer of 1,650 staff out of local authority employment.

Most cleaning and catering staff are female and part-time. The history of CCT showed that these groups face reductions in terms and conditions of employment once services are privatised.

Private bidders

The authority shortlisted four bidders:

Capita - this company has been appointed to work with Leeds LEA.

Ensign - consortium backed by Group 4 and Tribal Group.

Serco - multi-national facilities management and rail contractors.

Nord Anglia - Established as education specialists but limited track record of management experience.

The latter three have consortia members and all four claim to work closely with sub-contractors. The council aims to recommend a preferred bidder following detailed negotiations.

This is an evolving bid. We would question the value of such a procurement process whereby the council aims to appoint a preferred bidder and negotiate incrementally. This gives the potential contractors significant advantages to make proposals about what services they wish to include or exclude from the contract.

The companies are prepared to run a whole range of services - from recruitment of teachers, to ICT and school cleaning. The evaluation process will be key. There is a serious danger that the butt of the LEA will be left in council control while contractors pick and choose the most lucrative services.

No track record: This is a new area for companies and there is considerable uncertainty about how the involvement of private companies will impact on education services.

Only a handful of authorities have gone as far as fully outsourcing a range of LEA services. For example, Southwark signed a £20m contract with WS Atkins in February 2001. It is intended that 300 staff will be transferred to the private company.

Leeds City Council recently announced that, rather than wholesale outsourcing, it intends to set up a new company to run its education support services, following a review of options by consultants Pricewaterhouse Coopers. The company will work with Capita and be run by a non executive board. It is proposed that 95% of the LEA's work and 1,500 staff will transfer to the company.

Rejection possible: Haringey rejected bids from Cambridge Education Associates and Ensign. Their bids were substantially higher than the current in-house service and were considered insufficiently robust. The bulk of the service will be retained in-house.

Alternative option: A number of local authorities have improved their LEA services. Extracts from OFSTED and the Audit Commission reports of LEAs in metropolitan areas illustrate the potential for in-house improvements.

Oldham: *"Over the last four years, the LEA has been successful in improving its challenge and support to schools. The Education Development plan provides a good base from which to promote school improvement. Locally devised school improvement projects provide a very effective way of giving individual schools the support they need. Consultation with schools has been strengthened and is good, forming the basis for strong partnership".*

Sefton: *"The LEA has been successful at supporting its schools. The Council, LEA and schools share a clear and continuing commitment to raising standards.... The LEA has nurtured a strong partnership with schools, which is characterised by mutual trust, openness and accountability and 'challenge without threat'.*

Liverpool: *"..the rate of change and improvement in the LEA has been rapid. In our view that change has been fundamental, and the improvement sustainable. ..We were impressed by the quality of leadership, management, professional and political. We are confident of the LEA's capacity to make further progress".*

Service Issues

There are a number of educational and service issues which need to be discussed as part of the move to privatise Bradford's Local Education Authority.

Fragmentation will increase:

The delegation of financial powers to schools has led to a confused system of contracts in some authorities. It will be vital that a strategic body, under democratic control furthers the work of the LEA. Privatisation will lead to a more fragmented system which does not necessarily meet the needs of individual schools.

Buying-in expertise: The majority of educational expertise lies in the public sector. Buying in solutions from the private sector is unlikely to solve the authority's problems.

Plethora of contracts: The greater the number of service providers, the greater the cost of tendering, evaluation and monitoring. Overhead costs are already an issue in many education authorities. Services will be put under further scrutiny if they are contracted out. Legal and financial fees will escalate.

Which services? Contractors are extremely interested in administrative, technical and professional functions within education authorities. They are also likely to want to look at adding in other services to the contract - these may include estates, property etc.

Public service identity: State education is under pressure to constantly change. Outsourcing of the full range of education support services will bring greater uncertainty to schools, increase the use of business criteria in education and create further inequality between schools in the city. The real task of improving educational targets and public services to schools will be lost in an outsourced service.

Corporate impact: As in all cases of privatisation of this scale, the corporate impact will be felt throughout the council. A spiral of reduced direct services will influence other council decisions and management strategies, with a potentially damaging effect on policy development.

Teachers also at risk: The remaining part of the education service, including teaching will also be vulnerable. Expansion into the education market is

clearly part of the private sector agenda. Capita has established an Education subsidiary and bought up two teacher placement agencies. The bidders will be seeking to take over the full range of education services and may also have interests in support services elsewhere in the council.

Recommendation

We recommend that:

- * The council does not proceed with an education strategic partnership, but instead works to restructure the education service and bring in expertise from other LEAs and external organisations.
- * A service improvement plan for the LEA is developed for all aspects of Education Services in the light of the problems highlighted in the review and previous reviews.

This should include restructuring of the existing LEA to meet specific service improvement targets to

- develop in-house expertise and competency;
- draw in external expertise as and when necessary.
- * The plan should provide a strategic managerial framework for the service. It should be formulated by an in-house team. This should draw on the lessons from Liverpool and other local education authorities where outsourcing was proposed by consultants but the council carried out its own restructuring successfully and was commended by subsequent OFSTED reports. The team should have the full involvement of schools, client departments, local community organisations, staff and trade unions.
- * The city council conducts a comprehensive evaluation exercise of potential bidders in the light of implications for schools, service improvement targets, and specialist services, including facilities for ethnic minorities. The longer term impact on teaching and education services should also be assessed along with the implications for LEA strategic responsibilities.

Part 3

Future of the Housing stock

Introduction

This section of the report examines the council's proposals to transfer its housing stock to a "community trust". The key points highlighted are:

- * There has been insufficient examination of alternative options for improving Bradford's council housing.
- * Other alternatives could deliver significant investment. There have been key changes in the Government's rules about arms length companies which also need to be taken into account.
- * The question of who should pay for investment and the problems caused by under investment are crucial. Transfer would mean that tenants would ultimately pay for the bulk of improvements; we argue that responsibility for funding improvements should be shared between the Government, local authority and tenants.
- * Bradford's tenants have not been directly involved in developing the options proposed by the consultant. The manner in which the stock transfer option was proposed does not appear to have taken tenant views into account. Tenants will be consulted on the simple question of whether or not they agree to the proposed stock transfer, but this does not constitute genuine engagement in the process.
- * We urge the local authority to consider what can be achieved internally, building on tenant involvement, regeneration strategies, increased government spending on housing improvements and exploration of alternative sources of investment.

Whole stock transfer recommended

At the end of February 2001 the council announced that it had approved plans to transfer ownership of the whole of Bradford's housing stock to a Registered Social Landlord. The council proposes a "community based stock transfer to a partnership of councillors, tenants and residents" - a "community trust". The arguments in favour of transfer are that the approach allows for the investment needed, allows for community involvement and has tenants and the council working together. The proposal is based on the premise that £170m worth of investment in the housing stock is required over the next five years and that the council has only £100m available.

Transfer will only proceed if there is tenant approval; this will be the key focus for the council over the coming months. The issues covered below must be highlighted throughout the discussion about the future of housing in the city.

The agenda is being developed by a management consultant employed by the council - HACAS Chapman Hendy. The company has been engaged by the council as "Lead Consultant" to carry out further work along with other specialist consultants.

The council's anticipated timescale for transfer is 2002/3.

Failure to fully examine alternatives

The council's plans to transfer its housing stock to a community trust based on four geographical areas, under the umbrella of a "non-asset-holding parent". This will not only result in the transfer of ownership of major council assets and management of the city's housing stock, it will also mean the potential dismantling of Bradford's repairs, maintenance and service organisations - the bulk of the Direct Service Organisation.

The potential options explored by the consultants were:

- * Council ownership and management.
- * Stock transfer.

- * Creation of an arms-length company.
- * Use of the Private Finance Initiative (PFI).
- * Securitisation.

The council, advised by HACAS Chapman Hendy, presented the advantages and disadvantages of the five options for the future of its 27,000 council homes. Four of the five options, including council retention of the housing stock, were dismissed and a preferred option presented - whole stock transfer. HACAS concluded that *"The main benefit of the transfer is not a financial one for the council, but for the tenants, whose homes would secure the investment they require"*. The consultant's report suggests that the usual board composition of one third tenants, one third councillors and one third independents would be varied to allow for a larger proportion of tenants and a smaller balance of councillors.

These claims, along with the general argument that a whole stock transfer would make a major contribution to sustainable social housing and regeneration in Bradford, is challenged below.

The financial assumptions

Transfer is expensive. The question of who pays for investment and problems caused by under-investment, poor design and poor construction is key.

The consultants concluded that the financial advantages of transfer are limited. Nevertheless, much of the rationale for transfer presented by HACAS is linked to future financial arrangements.

Stock condition survey

HACAS and the council depended on a 1998 stock condition survey carried out by Adamsons and updated to current prices. A further survey of non-traditional structures and materials was carried out by Curtins, consulting engineers.

Economics of transfer

The consultant states that there is a need to spend £790m on repairs, improvements and planned maintenance over 30 years and that the council will not be able to afford this level of investment.

Accurate predictions of council expenditure over this period are complex. Financial assessments made for earlier years cannot easily be extrapolated over 30 years. The ability of housing transfers to generate substantial new investment in repairs and improvement is also a key issue.

HACAS has taken into account announcements in the Government's Comprehensive Spending Review including

- expected spending from capital receipts.
- amount received from the Major Repairs Allowance.

Assessments should also be based on financial estimates of:

- current and planned spending on capital repairs;
- how much the council will be allowed to borrow in the future - this is likely to change and will depend on public spending plans of the next government;
- how much the council receives in investment through other funds such as the Single Regeneration Budget, European funding, New Deal for Communities.

Local Housing Companies will have higher borrowing costs than if the council borrows money. The costs to the private sector include the lenders margin, arrangements fees, annual management fees, financial advisers fees and valuation fees.

VAT is chargeable on repairs, maintenance and improvement work once an organisation is externalised or transferred to the private or voluntary sector, unless the company obtains charitable status. The application of VAT effectively means that the cost of the same work rises. In other words, fewer repairs can be financed.

If tenants vote against the transfer, all the costs incurred have to be paid for by the Housing Revenue Account or the council's General Fund. This could amount to as much as £1m.

Cost of whole stock transfer

The consultants have underestimated the cost of transferring the entire housing stock to Local Housing Companies. It has been estimated that it costs at least £600 for each home transferring from the council (UNISON, 2000) to a new landlord. In Bradford this could amount to over £16m, in contrast to the £8m estimate made by HACAS.

The council has already spent £323,000 including private consultants (£148,000) and officer time (£175,000). This will rise to £492,000 in the next financial year, with £260,000 being spent on consultants and £232,000 on officer time.

The council will have to meet the following costs over the next year: lead consultant, legal advice, public relations and marketing, ballot costs, and possibly staffing costs for a shadow company.

Consultant's preference for stock transfer

The reasons presented by the consultants for pursuing stock transfer include (HACAS, 2000) a number of claims which are examined below:

"Bringing all housing up to an acceptable standard within ten years"

Obtaining investment to tackle repair backlogs, raise the quality of services and to fund modernisation is essential. However, the belief that sufficient investment will only be obtained by the transfer of assets and private investment is misdirected. The funding gap could be closed over the coming years; the state of public finance is buoyant and public funds are expected to increase from a range of sources.

Increased investment under the stock transfer option would largely be financed by rent increases. In other cases of transfers rents on new tenancies immediately increased by 15%-25% and

rent increases for all tenants were introduced once the 3-5 year rent increase limitation period was over.

"Use housing investment as a catalyst to neighbourhood renewal and community regeneration"

This assumption is not backed up in the report by HACAS. Funding, as now, could be secured in a number of ways but loss of council control over the process is likely to create a fragmented approach with some areas benefiting and others losing out in the competition for funds. Loss of a strategic overview with the breakup of housing into several companies is likely to create inconsistent approaches to renewal and community regeneration.

"Reverse the decline in social housing and averting the problem of the Housing Revenue Account becoming increasingly unviable"

Selling the homes to a Local Housing Company may bring new investment but it will have to be paid for. The most common methods are higher rents, higher service charges and efficiency gains through rationalisation of the service.

"Build on the successful approach to tenant involvement by developing increased tenant participation from Board level to estate level"

The degree of involvement is directly linked to ownership of the housing stock. Once it is transferred to another organisation, the degree of direct accountability is also reduced.

The council's highly regarded participative structures, the provision of responsive and flexible services and user identification with the organisation's values, principles and corporate policies would be lost. Tenant representation can easily turn into tokenism whereby independent business and expert representatives, along with council representatives, account for the majority of the board, to effectively control the company.

There is little evidence that transfers have resulted in innovative participation or that the creation of arms length companies create any additional or different

opportunities for innovation which cannot also be obtained within the local authority.

“Make major improvements in the delivery of both management and maintenance”

Service integration will be lost once housing is transferred. Many authorities have successfully reorientated their housing management and maintenance services to develop improvements, particularly under the Best Value framework for integrated and joined-up housing and related services.

“Develop new approaches to meeting the needs of black and minority ethnic households, of elderly people and vulnerable people”

Bradford City Council already has a good record for its work in these areas. There is no guarantee that this will be sustained once houses are transferred to the four Local Housing Companies proposed. Each will promote particular interests and there is unlikely to be a continued application of corporate equalities policies across the housing service.

Tenant views

Bradford's tenants were not directly involved in developing the options proposed by the consultant. A questionnaire to Bradford tenants, issued with a newsletter, resulted in a 20% response rate. This low response was used to identify key points for the consultants. The results which followed amongst this minority of tenants indicate the strength of feeling about the council's role as landlord. The findings included:

- * Three-quarters of tenants wanted the security of being a council tenant.
- * 82% wanted housing to be under the control of the council.
- * 73% felt that the council managed the houses very well, well or OK, whilst just over a quarter felt that houses were managed badly.
- * 97% felt that houses should be repaired or modernised while keeping rents at an affordable level.

Other results showed that half the respondents did not want to pay extra rent to cover the costs of modernisation

and the vast majority wished to be involved in decisions affecting their homes and environment.

The recommendation to transfer stock assumes the following (HACAS, 2000):

“Tenants can enjoy similar rights and security as now”.

Transfer could result in the loss of council housing tenure as well as security of tenure. In addition, there is the loss of direct democratic accountability and potential loss of tenant involvement. Once transferred there is no possibility of returning to council ownership.

Council tenants have secure rights guaranteed by statute. Tenancies in, for example, Housing Associations are more open to amendment and greater legal interpretation. As a result council tenants have more security.

“Councillors are involved”

Elected members will not necessarily be as involved under the proposals for Local Housing Companies. Boards include a maximum of one third councillors, and under Bradford's proposals this is likely to be less. As HACAS itself points out, members will have less influence in responding to tenants' housing problems as they will no longer have a landlord role.

“The new organisations are area based”

The council housing service in Bradford is currently provided on an area basis. How decentralisation to Local Housing Companies will be beneficial is unclear, given that much of the service already benefits from decentralised provision with tenant involvement.

“Tenants and residents are in the majority on the boards of the new landlords”

Effective and democratic accountability is important but the concept of tenant control is often misguided. A recent survey of housing association tenants in 30 local authority areas revealed that only 11% of 10,000 tenants interviewed

considered that getting more involved in the management of their homes was their top priority.

“Links are made with local regeneration organisations”

The council is likely to have much stronger links with such organisations than individual Local Housing Companies. Stock transfer could mean fragmentation of responsibility for overseeing the strategic regeneration, weaken links between public bodies and the diversion of resources to secure transfer affecting regeneration work. Funding could also be limited to specific projects and physical renewal in difficult and complex partnerships. There may be duplication of effort and increased management costs

“Rents remain affordable”

Rents are a crucial issue for tenants in Bradford. Housing transfers usually include an agreement to restrict rent rises for a limited period only. Rents are unlikely to rise by more than inflation plus for a limited period - often five years - but LSVT tenants had average annual increases of 10% or more once the guarantee period ended. Changes in rent assessment systems after the guarantee period meant “some tenants face very significant increases indeed.”

Restrictions do not apply to new tenants who are likely to face rents increases.

Equal Rights

The HACAS report claims that the strategy will assist a large number of deprived households. But this claim is not backed up with any detail.

Sustainability

Generalised claims are also made about sustainability, which will have to be substantiated to provide a proper assessment of the implications.

Tenant involvement

Many tenants do not want to stop being council tenants. Government policy puts the retention of directly provided council

housing under the spotlight. However, many issues need to be assessed as part of the debate about options and tenants need to be presented with the full range of options based on accurate and well researched information.

Assessment of future options should look at the structure, management and operation of council housing and explore new ways of making services more accountable to tenants and potential users. Discussion of greater tenant involvement and control should be placed in the context of Bradford's history of tenant participation and the potential for building on this.

Tenants want good quality responsive services delivered in an equitable manner with resources and investment into frontline service delivery supported by a simple and effective complaints systems. This is confirmed in the partial survey conducted by HACAS.

Tenant opposition to transfers

Transfers are dependent on tenant approval. There have been many examples of tenants defeating full and partial transfers. Twenty two authorities (34%) could not proceed in the first phase of transfers up to March 1995 because tenants defeated transfer proposals in ballots. Since then, a number of authorities including Lewisham, Sandwell, Tower Hamlets, Cheltenham, Waverley have also had negative ballot results.

The power of tenants to challenge management assumptions that transfer is a formality once the authority decides to proceed was illustrated last year by the following cases where transfer was rejected:

- * Tenants in South Bedfordshire (5,970 homes) voted 72.4% for remaining council tenants, the highest vote against transfer for 12 years.
- * Tenants in Wycombe voted 51.6% against a 7,150 stock transfer. Tenants opposed transfer despite the threat of large rent increases, repairs backlogs and ‘dire consequences’ if they remained council tenants.
- * Waverley tenants defeated a transfer with a 57% majority.
- * Barnsley tenants opposed privatisation at the end of 2000.
- * The London Borough of Southwark withdrew privatisation proposals following a major campaign by tenants and council staff.
- * Walsall and Glasgow have postponed the privatisation process.

Options not considered

- * Innovation in public housing including improving management and operation.
- * Increasing capacity for regeneration through council ownership
- * Mix of different options.

Options to retain the stock have been dismissed by the council. There are a number of opportunities for the council to explore as part of the debate about the future of public housing, including establishing a local authority owned quasi-public corporation.

Any options should take into account the potential changes to the public finance regime and opportunities to access finance for renewal, including repairs and improvement. The council should undertake to develop a detailed appraisal of the in-house options as part of the presentation to tenants.

Limited assessment of options

The HACAS report has focussed its assessment of options on the financial arrangements and inevitability of transfer. The consultants have failed to assess the wider corporate and community implications. This is in spite of the local authority's power to promote the social, economic and environmental well-being of their areas (Local Government Act 2000) and the duty to prepare a long term community strategy to improve the quality of life in their local area.

- All options should be subjected to rigorous social, economic and environmental audit.
- Bradford's definition of Best Value should be applied to the assessment of options.

The wider impact assessment should include:

- Corporate policy
- Social and economic profile of tenants and workforce
- Effect of proposals on service & users
- Employment implications
- Social and economic impact
- Public costs and benefits
- Economic viability of the options
- Potential to meet Best Value service improvement targets

Impact on the DSO and support services

One of the key outcomes of any stock transfer will be the transfer of all housing related building, repairs and maintenance services out of the local authority. The DSO would retain other services such as refuse, street cleaning, highways maintenance and grounds maintenance but the economies of scale would be reduced. Housing-related services such as finance, payroll and administrative services will also suffer. The most likely outcome is that these services would be externalised along with housing.

Centre for Public Services' critique of the review conducted by Barony (2000) highlighted some of the key advantages of retaining the DSO for the council. These included:

- * the resource and financial benefits of close working relationships between, for example, repairs and maintenance, social service and education staff;
- * the immediate availability of planning officers and other staff for advice and assistance;
- * specialist advice and information to inform the design process;
- * design to meet client needs;
- * the potentially higher costs of externalised providers, who will charge for any additional time expended on proposals and projects.

The consequences of transferring these services along with housing to an independent company include the potential loss of:

- Stable, skilled and committed workforce.
- Integrated services.
- High quality services.
- Responsive and flexible services.
- Good employment conditions.
- Training opportunities including apprenticeships.

Impact on staff

A whole stock transfer will mean the transfer of all council housing

management staff to a new employer. UNISON estimate that at least 300 employees will be affected. It is also expected to involve the transfer of 300 staff working in repairs and maintenance services in the city, making a total of over 600 council employees.

Stock transfers would affect Bradford City Council's staff who are tenants. The loopholes in the TUPE regulations and non-applicability to new staff could result in reduced terms and conditions. Some council staff could face both rent rises and reduced wages.

Investing in council housing

The following features of housing owned and controlled by Bradford City Council have been underplayed in the HACAS report. They are crucial to the debate about the future of the service:

- Meeting the particular needs of a socially and ethnically diverse community
- Comprehensive and flexible service to meet specific housing needs
- Extensive housing management functions closely integrated with other council services.
- Affordable rents
- Security of tenure for tenants
- Democratic accountability
- Public control rather than private landlords

Funding local authority owned housing

Recent developments in public spending have instituted some changes which may improve opportunities for retaining council owned housing and related services. The Spending Review 2000 eased the potential for public investment. In addition, there may be changes to the capital finance regulations whereby local authorities will be able to borrow more freely for capital investment, subject to certain controls, creating more opportunities for increased spending in housing and related services.

Housing investment by local authorities

could also improve over the next decade through changes in Government funding and easier access to finance raised through the European Investment Bank and European Investment Fund.

Best Value

Best Value and Housing Stock transfer proposals have not been connected in any way through the HACAS report or the council's recommendations for the future of the service. Housing services will be subject to Best Value review and service improvement targets will be set. It is crucial that housing functions and Best Value are connected by assessing both the strategic housing role of the council and the housing management functions.

Recommendations

We recommend that the city council:

- * Reviews the options presented by HACAS in the light of tenant views, the council's corporate strategies, user needs, social and economic analysis of the potential impact of the options on the city's residents.
- * Presents a full analysis of the public service options, including the continued ownership and management of social housing by the local authority.
- * Explores the potential for alternative sources of finance for long term investment in housing improvements.
- * Examines the potential for retaining an integrated housing, repairs and maintenance service.
- * Conducts a comprehensive survey of tenant's views on the full range of options.
- * Involves tenant representatives in investment options for council housing.

Part 4

Asset management

Bradford City Council announced its intention to form a limited company as part of its city centre management strategy and to recruit a chief executive.

City Centre Management Company

The council proposed a City Centre Company in September 2000. The council intends the company to:

- * Manage the delivery of public services in the city centre.
- * Raise levels of customer satisfaction and improve the city centre experience.
- * Encourage higher standards of urban design.
- * Play a leading role in bringing new investment to the city centre.

The council plans to establish a company where less than 20% of the directors are council members or officers. The argument made for this low level of council involvement is that the company will not be regulated and that therefore the council will not face "adverse financial consequences".

The company will be run by a Board of management with thirteen members, of which only two will be appointed by the council. Other directors will be nominated by Yorkshire Forward and other interest groups. The Board will meet about four or five times a year, to provide a strategic role for the company.

The company will take over the running of public services from the council. It is intended that the company will:

- * Manage the co-ordination of public services in the city centre.
- * Promote and secure investment opportunities through partnerships and marketing.
- * Actively bid for development funding from external sources to support city centre investment programmes.

Contract arrangements

The council proposes a five year contract with the company to operate a number of council functions. In the first place this will include city centre management and off-street parking. Once the CCT contracts for cleansing and landscape maintenance contracts expire it is intended that the company will bid for some or all of these services. The council assumes that the company will meet the requirements of Best Value and deliver continuous improvement, though there are no details about how this will be achieved.

Staff implications

The company would employ staff from the council's city centre and parking management teams and is eventually likely to also employ staff from cleansing, landscapes and highways. Marketing and tourism staff may be included in the company. Staff would therefore be involved in a TUPE transfer to a new employer.

Asset management proposals

In the autumn of 2000, the Chief Executive proposed that there should be major changes to the way in which the council manages its assets. The initial proposal centred on an "Asset Management Partnership" involving a 25 year Joint Venture Partnership. This would involve the management of buildings and property and include options for disposal. Bradford's property portfolio would be handed over to the joint venture. It is unclear whether the intention would be to hand over the contracting operation along with it.

There are also fears that the council intends to dispose of key venues such as St. George's Hall.

Key issues

A combination of the city centre management proposals and potential move to dispose of council assets represents a clear move away from council ownership and delivery of key facilities and services.

Weakens service integration: The focus on new forms of management for the city centre is a diversion from the issues facing Bradford. There is likely to

be less, rather than greater, understanding of the various problems and issues of service provision and the attraction of inward investment into the city.

Investment: The promise of easier routes for private investment through the company is not proven. The city council is the leading advocate for Bradford and working closely with local, regional and national bodies is in the strongest position to attract and coordinate inward investment.

Addressing social exclusion:

Bradford's centre, like most inner-city areas, includes people living in severe poverty. Social issues are unlikely to appear on the agenda of such a company.

Added tier of bureaucracy: A city centre company would add another tier between local businesses, services and the local authority making it harder for service users to access and influence service provision.

Access for the private sector: Private sector involvement will be a high priority for the company. Companies could seek to exploit the opportunities provided by influencing, for example, the regeneration agenda.

Recommendations

We recommend that Bradford City Council does not proceed with a City Centre Management Company or proposals for an Asset Management Partnership.

The council should instead retain its central role in developing the city centre and key public buildings. It should initiate a city centre plan which further develops its regeneration agenda and local economic policies.

Alternative options for developing the city centre and other council assets should be drawn up using the following criteria:

- * Coordinated service improvement
- * Sustainable investment opportunities
- * Regeneration priorities
- * Social, economic and environmental well-being.

Part 5

Financial issues

Whilst financial arrangements do not appear to be the prime focus for the partnership proposals, Bradford has made the following assumptions which underlie the rationale for transfer:

1. Central government funding to local authorities will reduce over the coming years.
2. That private sector partners will have the funds to invest in the service.
3. That the private sector can deliver the expertise that in-house services need to manage and maintain the city council's assets.

There is no evidence to support these views. The economic context is somewhat different:

- Local authorities remain the main service providers and Best Value framework does not assume that private sector provision is the obvious alternative.
- Public funding and investment is likely to remain at current levels or indeed increase in the coming years (see Government's Spending Review, 2000 and Budget 2001). However, this will relate to performance and new approaches to service delivery which are currently being developed by a number of local authorities in Best Value projects.
- Private funding is not easily available. In all cases of externalisation, the private sector is usually wholly dependent on public sector funding and a "contract" which ensures a funding stream from a local authority over a defined period.
- The incoming "expertise" of the private sector is not realistic. Under externalisation options existing staff transfer to the private sector. In reality a new organisation will largely depend on council staff who already have a range of skills and expertise and will have limited capacity to employ skilled and experienced private sector "experts" to change the service round.

Partnerships will be funded by the council: In spite of promises of substantial private investment, strategic partnerships and other forms of privatisation will be funded almost entirely by the city council's revenue budget. Contracts in the multi-service partnerships in Middlesbrough and Bedfordshire have resulted in the private sector providing less than 5% of the total cost.

Financial reality: The council will pay for any service it receives, regardless of the type of partnership or outsourcing. Whatever a contractor does, the council will have to pay for. There will be no financial gains.

The cost of procurement: The procurement process for all council operations is very costly. This is an up-front cost; there needs to be a public debate about whether this is the most appropriate course of action to take. The transfer of housing and education services alone will run into millions.

Profit motive: Unlike local authorities, all private providers organise their work to make a surplus. Long term profitability is especially important. This is passed on as a cost to the local authority which in turn can drive up the price paid for service delivery.

Cost effective services: In-house services usually have lower overall costs, on a comparative basis, after taking all client, contractor and other public costs into account. In-house provision serves to regulate prices when comparisons are made between public and other providers. The division of services into contracts reduces economies and prevents re-distribution of resources.

Cost transparency: The cost of publicly provided services is generally more open to inspection. Independent providers can transfer costs and prices between a range of contracts and use company law or commercial confidentiality to prevent public access to the true figures.

Public interest: The greater the involvement of private firms in the delivery of public services the more likely there is to be corruption, particularly as contracts get larger and larger.

Part 6

Employment practices

An estimated 5,000 Bradford City Council employees are potentially at risk from the outsourcing proposals. Privatisation of the Local Education Authority and transfer of education catering and cleaning services would affect almost 3,000 staff. The transfer of housing management and related repairs and maintenance services would impact on 1,200 jobs. A strategic partnership in ICT could involve well over 1,000 jobs; this estimate is based on ICT partnerships established in a number of major authorities.

The potential impact on Bradford City Council staff falls into a number of key areas.

Limited TUPE protection

The evidence from transfers reveals that employers have generally exploited TUPE regulations to achieve savings. Whilst existing pay and conditions of service are protected on transfer there is great uncertainty about the length of time TUPE would apply. Most private firms believe that they are legally entitled to harmonise terms and conditions of employment within months of a contract starting. Once a transfer takes place, the new employer, not the council has complete responsibility for jobs, pay and conditions.

Abolish vacant/temporary posts: A new employer is likely to abolish most vacant or temporary posts.

Career progression: Some firms operate a system which requires that staff seeking promotion transfer to the firm's own employment contract.

Reduce and/or eliminate payments for weekend and unsocial hours:

These payments are likely to be the main target of a new employer.

Sick Pay: Sick pay entitlements are likely to be reduced as part of changes to terms and conditions of employment.

Pensions: The TUPE regulations require a 'broadly comparable' pension to be provided by the new employer. Transferring staff can now remain in the local authority pension scheme. Employers often require new staff to be employed for a minimum period before they can join and often exclude part-time staff by imposing a minimum number of hours requirement.

New regulations will have limited impact: New regulations and guidance on workforce matters for procurement under Best Value came into force early in 2001. The Government has amended the procurement provisions of Part II of the Local Government Act 1988 so that local authorities can have proper regard to workforce matters in relation to quality and Best Value. In addition to TUPE, training and development, health and safety, the Social Partners agreed that local government should be able to take into account whether providers are complying with equalities legislation and accompanying Codes of Practice, as well as equalities requirements in relation to services. The planned changes should strengthen the protection of transferred staff but they are unlikely to have a significant impact for new staff.

European procurement regulations prohibit local labour clauses and new employees are not covered by TUPE.

Two-tier workforce

Virtually all private contractors operate a two-tier wage policy. Redundancies are highly likely and it is expected that any incoming company will encourage staff to move onto company terms and conditions of employment.

- * lower pay rates for new staff
- * no enhanced rates for unsocial hours
- * fewer holidays
- * only statutory sick pay
- * inferior pension scheme
- * casual/temporary employment status

* flexible working hours

The more successful the private sector is in winning contracts in other local authorities, public bodies and private firms in Bradford, the greater the job loss in the city as a whole. The firm will have a core staff and economies of scale will mean that it will require fewer additional staff every time it wins a new contract. Hence there will be compulsory redundancies elsewhere resulting in a net job loss in the city or sub-regional economy. Any new staff recruited will be on different terms and conditions from staff transferred under TUPE from the public sector.

Job losses

For every 100 council staff transferred to an independent employer, we estimate that there will be a loss of 25 jobs as a result. This is based on previous detailed research for the Equal Opportunities Commission and local authorities. It will include the loss of 20 council jobs, the loss of an additional 5 jobs in private services in the local economy as a result of reduced spending power and a further loss of one job over five years due to the reduced earnings of new staff. Any additional jobs created by a regional centre must first replace the net loss of jobs in Bradford.

If 5,000 city council jobs were transferred to the private sector, another 1,250 jobs would be lost to the local economy.

Employee involvement

Bradford City Council is committed to good employment terms and conditions including pay, pensions, holidays, sickness schemes, maternity/paternity leave and workplace conditions such as training and health and safety. It gives full trade union recognition for organising, representation and negotiating rights compared to weaker and partial agreements which are common in the private sector. Evidence from detailed research in both public and private sectors indicates that a motivated and committed workforce is an essential prerequisite for achieving continuous improvement (Improvement and Development Agency et al. 2001). Transferring staff between employers undermines job security, a public service ethos and the conditions necessary to maximise innovation and improvement.

Commitment to equalities and mainstreaming: The public sector has a better track record in mainstreaming equity and equalities throughout the organisation, services and activities compared to the private and voluntary sectors.

Investment in training: The provision of training for young people, skill development and career opportunities in local authorities are usually superior to that provided by the private sector.

Part 7

Key Issues for Bradford

The combined impact of a series of privatisations would result in a number of consequences.

Corporate impact on the Council

Outsourcing a large range of services to private suppliers is a high risk strategy. It will make the council very vulnerable because there is a high risk of service failure and increased costs.

The Council has failed to assess the corporate impact of the proposed strategic partnerships and transfers. It has not looked at the potential power of the private partner within the authority to influence public policy and identify further services for outsourcing and transfer. Private firms will be in a key position and have a vested interest in determining the conditions for other contracts and services.

A review of Bradford's response to change undertaken by the IDeA pointed out that council services should be put at the heart of the council's strategic thinking. The privatisation plans reviewed in this document are not linked to the council's corporate principles. Corporate policies are most effectively implemented as part of in-house services. Full implementation requires resources, training and mainstreaming through political, managerial and operational structures with monitoring and evaluation of performance. The record of public providers is superior to the private sector.

Service disintegration

Service delivery, social inclusion and anti-poverty strategies, regeneration and economic development increasingly

require a multidisciplinary coordinated approach. This means integrated teams, the pooling of skills, experience and resources, and joined-up government. The price of contracting out great swathes of council services from 'cheaper' suppliers will be outweighed by the loss of coordination of the overall service.

Implementation of the outsourcing proposals for Bradford's public services would lead to:

- Loss of economies of scale resulting in the fragmentation of services, leading to increased costs and overheads for remaining council departments.
- Reduced ability to offer schools, housing, social services and other services a comprehensive and coordinated service.
- Loss of integrated and flexible facilities. For example, the proposed transfers and outsourcing would particularly impact on the Building Maintenance DSO. The service employs 825 people and it is still assumed that the service will follow Barony's recommendation for externalisation (KPMG Management Letter, 13 November 2000). This could result in the separation and transfer of repairs, maintenance and directly related housing and education activities from the council, leaving a much reduced service within the city council or externalised separately. Alternatively it could result in the division of repair and maintenance into separate area companies as part of the transfer of housing stock.
- Loss of support service jobs. Staff in many departments contribute to housing and education. Some staff work on these services almost exclusively, whilst others give a small amount of their time. The latter group would be unlikely to transfer to a new employer, but the demand for their work would reduce, thus putting their employment into jeopardy.
- Achievement of Best Value through contracts will be much more difficult in

externalised services. This will include problems in building genuine participative structures for users and employees to be involved in service improvement.

Threat to further services

Under strategic partnerships contractors could have unprecedented access to the rest of the Council to enable them to identify and recommend other services to come within the scope of the contract. This has occurred in other local authorities. It will create insecurity and uncertainty across the council resulting in staff demoralisation and will almost certainly be reflected in the quality of services.

Experience shows that once firms are in this position, economics dictate that they continuously search for ways to build their business. So it is almost inevitable that other council services will be outsourced or privatised.

Quality of service

When properly resourced, publicly delivered services can reach high standards and are more responsive and flexible enough to meet changing circumstances. Private providers are much more likely to cut corners because profits determine the quality of work.

Large scale long term contracts will be a high risk for the city council. Responsibility for risk is usually allocated between the council and the contractor but it will be Bradford's service users, frontline staff and councillors who will bear the consequences of any failure to provide services.

Key services to become profit centres? Services included in the range of contracts proposed in Bradford could include a combination of frontline and core services. The private sector will select methods for delivering services. This will not be based on community needs, public interest or service requirements but whether a particular

private contractor has commercial reasons and whether they are can extract a profit.

Future cuts will hit frontline services:

Through major privatisations the city council will be ring fencing multi-million pound contracts for key services. Rather than provide additional resources to frontline services, any further budget cuts are likely to be concentrated in these services.

Best Value

Best Value, a basic tenet of the Government's modernisation programme, will be sidelined by Bradford's outsourcing and partnership proposals. There is little or no mention of Best Value in the council documents proposing major changes, including the housing stock transfer. Best Value reviews will have been conducted, or are planned, for the services included in potential partnerships. Strategic partnership proposals in Bradford appear to be preempting any consideration of options and the statutory requirements of the Local Government Act 1999 and DETR Circular 10/99.

Bradford City Council has statutory duties to consult widely in relation to securing Best Value. The council will fail to do this if it decides to plough ahead with one or more strategic partnerships without a full public debate and consultation with service users, community organisations, trade unions and staff.

In-house services have key advantages over other service providers. It is important that these criteria are an integral part of Best Value option appraisals. The issues about future service delivery must not be limited to who provides services but the principles and policies upon which they are provided.

Local Democracy

Public services are directly accountable to elected representatives and service issues are clearly in the public arena.

Outsourcing would lead to prioritisation of the client/private contractor relationship. External providers are accountable first and foremost to shareholders or independent boards which are usually dominated by business interests. Service user interests become marginalised.

Procurement on the scale proposed in Bradford will rapidly impact on elected members. Separate boards will oversee strategic partnerships and will be governed by 'commercial confidentiality' - creating in effect quangos within government. Bradford would be moving a further step towards creating an enabling or virtual council in which the majority of services and activities are provided mainly by private contractors and the voluntary sector. Fewer Councillors will be needed and those that remain will have a reduced role, less power and meet less frequently.

Prioritising user needs

The prime purpose of publicly provided services is to meet local user and community need. The IDeA, in its review of the council's change programme, stated that the council needed the support of residents in the district. This will not necessarily be met by private sector involvement.

The first priority of private services is to meet the demands of the market place and ensure profitability for shareholders. It is important to retain public responsibility which encourages a sense of community and improves people's health and well-being. Privatisation will undermine these aims and replace them with commercial attitudes. Continuity of service and knowledge of local requirements and conditions is a key part of service delivery.

Bradford's economy

The provision of in-house services and quality employment policies make a significant contribution to the local economy. Good terms and conditions

keep consumer expenditure higher than it would otherwise be, thus maintaining private sector employment in local services.

The spending power of the city council's 23,000 employees is vitally important to Bradford's economy. Privatisation and strategic partnerships will reduce the city's employment opportunities rather than increase them.

Any successful contractor will seek to establish a business centre from which to bid for additional public and/or private sector work in the region. If it does win this work the company will seek further work to achieve further economies of scale.

Impact on labour market and regeneration strategy

The privatisation of council services on the scale proposed in Bradford will have a significant effect on the local labour market, the city's economy and on policies to regenerate the city. Existing inequalities are likely to increase in a number of ways:

Levels of poverty will increase:

Bradford includes some of the poorest communities in Britain and is ranked as the sixth most economically deprived district in the country. The local authority area has nine inner city wards which are amongst the most deprived in the country.

Quality of employment: Partnerships and privatisation are likely to systematically reduce the level and quality of employment in the city. An added problem for Bradford is that there are already local labour market inequalities as clearly illustrated in the Local Economic Profile (2000). Lower terms and conditions of employment will lead to difficulties in fulfilling contracts and delivering the service.

Major local employer: The council, with 23,000 employees is one of Bradford's largest local employers. Transfer of large swathes of the council's employment to

private companies will represent the loss of stable, local employment where the council has a key role in setting local employment standards.

Reducing social, economic and environmental well-being: The potential transfer of council jobs and the knock-on job losses in the local economy will cause further decline and social exclusion.

Gender impact: Women in Bradford already earn well below the national and regional average. Contracting out will exacerbate this problem with lower paid women in education, housing management, corporate and personnel services likely to take the brunt of the job losses.

Ethnic minority impact: Major privatisation will increase inequality among Bradford's ethnic minority community. The ethnic minority unemployment rate in Bradford is already 16.3%, 2.5 times the rate for white people. Outsourcing could halt progress on the implementation of policies to improve the position of ethnic minority groups in the labour market and worsen their representation further.

Local labour market: Major job losses from the local authority will mean fewer opportunities for the unemployed and those currently on training schemes. The council has traditionally played a significant role in the local economy; privatisation will weaken the council's influence.

Increased social exclusion: The most deprived neighbourhoods will suffer both as a result of job losses and, because they are heavily dependent on council services, any changes or failures in service delivery.

Contract will seek to expand: Once private contractors are established providing key frontline and support services within the council, the contractor will almost certainly want to expand to include other services. This is likely to result in a further net loss of jobs.

Reduced training opportunities: The vast majority of private contractors have

inferior training policies and programmes compared to the city council.

Equalities policies: The city council's policies to promote equal opportunities will be much more difficult once privatisation takes place. Private sector employers often do not support or implement equalities to the same level.

Sustainability: Economic, social and environmental sustainability are key features of the Government's modernisation programme. Bradford City Council has developed a strong regeneration strategy and works closely with many local organisations.

Regeneration partnerships

Privatisation and fragmentation threatens existing local partnerships. The council's role in regeneration and economic development will also be weakened affecting the implementation of strategies for the city.

The city council has played a crucial role in developing:

- Comprehensive and strategic approach
- Community involvement
- Sustainability
- Linking education, housing and employment
- Citywide and regional approach to strategic issues
- Regeneration and quality of life: community care, education and life long learning, health care and leisure and recreation.

Bradford City Council has been successful in obtaining funding for regeneration projects. The privatisation proposals put these resources at risk since some will inevitably be used to moderate the impact of privatisation of council services.

Part 8

Recommendations

Bradford City Council is in danger of rapidly pursuing a strategy which will mean that it could become an enabling council within the next few years. But it has a clear option to present a planned programme of service improvements, investing in a range of services which will not involve wholesale outsourcing and privatisation.

We recommend that the city council:

- ◆ Reassesses the proposals for outsourcing and transfer, in the light of the city's corporate principles, the Best Value framework and public service values.
- ◆ Investigates the importance of in-house provision of public services in Bradford to service users, regeneration strategies and the local economy.
- ◆ Subjects all proposals to Best Value scrutiny. Improvement plans should be drawn up for all in-house services under threat to provide the basis for a comprehensive appraisal under Best Value
- ◆ Carries out a social and economic audit of any outsourcing and transfer proposals to identify the wider impact on users, the community and the workforce.
- ◆ Carries out an assessment of any outsourcing and transfer proposals on the council as a whole and on key services and departments.
- ◆ Reduces the council's high dependency on private management consultants and seeks to sustain and develop in-house expertise. The Best Value framework and reviews undertaken by in-house teams should be based on best practice and draw selectively on external expertise from the public and private sector. This process should form the core mechanism for change, rather than reviews conducted by management consultants.
- ◆ Recognise the key importance of staff in continuous improvement of council services and establish working mechanisms for employee and trade union involvement in any action plan and options appraisal for the service.
- ◆ Establish a set of criteria with which to evaluate different options.

The criteria for Bradford's service options should include:

- ◆ Ensuring that services are responsive to the needs of Bradford's residents and service users and not the convenience of senior officers, management consultants and potential providers.
- ◆ Tailor services, including new investment on ICT, to the needs of users, raising standards and improving integration.
- ◆ Continuous improvement in both the quality of services and the quality of staff providing services as a longer term investment for local, publicly run services in Bradford.

Improvement plan for Education Services

We recommend that the council does not proceed with an education strategic partnership, but instead works to restructure the education service and bring in expertise from other LEAs and external organisations.

- ◆ A service improvement plan for the LEA is developed for all aspects of Education Services in the light of the problems highlighted in the review and previous reviews.

This should include restructuring of the existing LEA to meet specific service improvement targets to

- develop in-house expertise and competency.
- draw in external expertise as and when necessary.
- ◆ The plan, drawn up by an in-house team, should provide a strategic managerial framework for the service. This should draw on the lessons from Liverpool and other local education authorities where outsourcing was

proposed by consultants but the council carried out its own restructuring successfully and was commended by subsequent OFSTED reports. The team should have the full involvement of schools, client departments, local community organisations, staff and trade unions.

- ◆ The city council conducts a comprehensive evaluation exercise of the four potential bidders in the light of implications for schools, service improvement targets, and specialist services, including facilities for ethnic minorities. The longer term impact on teaching and education services should also be assessed along with the implications for LEA strategic responsibilities.

Strategic partnership for ICT

We recommend that alternative options are drawn up to provide the basis for a comprehensive appraisal under Best Value.

- ◆ The council should develop a manageable ICT strategy which seeks to acquire new hardware, software and the required level of expertise and training. This should be a planned, practical and cost effective method of improving service quality, maintaining continuity of service and minimising disruption and staff insecurity.
- ◆ Evaluation of options for ICT should include contribution to the council's ICT strategy, whether the programme of investment is sustainable and how it will impact on the interface between support and core council services.
- ◆ Staff should remain employees of the city council and the transition to new systems should be negotiated with the full involvement of trade unions and service users.

Housing stock options

- ◆ Review the options presented by HACAS in the light of tenant views, the council's corporate strategies, user needs, social and economic analysis of the potential impact of the options on the city's residents.

- ◆ Present a full analysis of the public service options, including the continued ownership and management of social housing by the local authority. This should consider the following:

Long term investment strategy
Public sector funding programme
New sources of finance
Integrated housing and repairs service
Tenant participation
Tenant views
Impact on the DSO

- ◆ Explore the potential for alternative sources of finance for long term investment in housing improvements.
- ◆ Examine the potential for retaining an integrated housing, repairs and maintenance service.
- ◆ Conduct a comprehensive survey of tenants' views on the full range of options.
- ◆ Involve tenants' representatives in investment options for council housing.

Asset management

We recommend that Bradford City Council does not proceed with a City Centre Management Company or proposals for a Asset Management Partnership.

The council should instead retain its central role in developing the city centre and key public buildings. It should initiate a city centre plan which further develops its regeneration agenda and local economic policies.

Alternative options for developing the City Centre and other council assets should be drawn up using the following criteria:

- * Coordinated service improvement
- * Sustainable investment opportunities
- * Regeneration priorities
- * Social, economic and environmental well-being.

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