

CADDSS

Campaign Against Destruction
of Disabled Support Services

The way out of financial crisis

Analysis of Consultation Paper

Your Choice Barnet Ltd

The Barnet Group Ltd (Local Authority Trading
Company), London Borough of Barnet

 **European Services
Strategy Unit**

(Continuing the work of the Centre for Public Services)



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(Continuing the work of the Centre for Public Services)

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Executive summary

Your Choice Barnet Ltd (YCB) began operating as a Local Authority Trading Company (LATC) in February 2012. Within months it incurred operating losses and failed to attract new service users and revenue. Barnet UNISON had earlier published a series of highly critical reports on the options appraisal, business case and business plan, which predicted the problems that have since unfolded in YCB.

The core objective of this report is to set out the case for full and continuing engagement with service users, carers and community organisations, together with staff and trade unions and to show how YCB's current approach is flawed, fails to provide value for money for the taxpayer and therefore unacceptable.

The case for engagement

There are four powerful reasons why YCB should engage with service users, carers and staff in the design, delivery and review of service delivery:

- The legal case for engagement.
- The relationship between the quality of employment and the quality of service.
- Best practice public management and service planning.
- The important impact of personal budgets on YCB finances.

There is significant evidence, including YCB's own evidence, that the restructuring proposals will have a negative impact on the delivery and quality of services.

YCB's pick and mix approach to engagement

YCB's current approach to engagement is totally inadequate. It ignores the basic principles of engagement (see page 16). Evidence of YCB reports and Board meetings hint at a positive approach, but YCB adopts a minimalist approach in practice. This has led to service users, carers and CADDSS having little trust or confidence in YCB's approach to engagement. Consequently, CADDSS has drawn up a set of core principles for engagement.

YCB suffers from three important democratic gaps that require immediate attention: a Governance Gap because parents do not have a direct representative on the Board; an Engagement Gap because engagement policy and practice is inadequate and unacceptable; and a Transparency Gap because disclosure is selective and limited.

The financial crisis deepens

The roller coaster financial forecasts for YCB between 2010-2012 reflected the way in which the options appraisal, business case and business plan were prepared. Barnet Council chose to ignore the detailed critical analysis and proposals submitted by Barnet UNISON. Instead it stuck to a pre-determined decision to transfer Adult Social Services to a new local authority trading company, supported by its outsourcing consultants and lawyers.

Predictably, YCB was incurring costs within a few months leading to first year losses and the £1m bailout. Despite the £180,000 first year cost saving measures and the financial impact of the restructuring proposals, the financial position is precarious. Some £951,587 of cumulative losses, reduced income and part repayment of the loan and interest, plus achieve the £162,000 budgeted growth income, have to be addressed in 2013-2014.

The case to return the service to in-house provision

There is a very substantive case for returning Your Choice Barnet services back to in-house provision to stabilise the finances of the six services; remove the threat to Barnet tenant's housing management service with rapid repayment of the £1m bailout; take a more effective and measured approach to the development of services to **avoid misuse of public resources** in pursuing inappropriate and unachievable commercial objectives; and to prepare

a three-year development plan with the engagement of service users, carers and community organisations together with staff and trade unions.

Recommendations

The YCB Board should immediately:

1. Engage in full and continuing engagement with service users, carers and community organisations, together with staff and trade unions, in the design, delivery and review of Adult Social Care services. This should include community meetings and facilitate the submission of proposals for the future of the services. It requires a new Engagement Plan prepared with service user and carer representatives.
2. Endorse the seven core engagement principles into the YCB engagement policy and commit to their application in practice (see page 16).
3. Agree not to implement the management and staffing proposals in the Consultation Paper published on 1st March 2013.
4. Immediately terminate the benchmarking contract with Valuing Care Limited and the consultancy contract with Care and Health Solutions Limited.

Barnet Council should:

5. Return YCB services to in-house provision at the earliest practical opportunity.
6. In the short-term, extend the block contract to ease YCB cash flow problems.
7. Prepare a three-year service development plan with service users, carers, staff and trade unions.

Part 1

YCB's first year crisis

The London Borough of Barnet set up Your Choice Barnet (YCB), a subsidiary of The Barnet Group that includes Barnet Homes, manager of the Council's housing stock, on 1st February 2012.

This was preceded by an options appraisal of Adult Social Care In-House Provider Services prepared by consultants Care and Health Solutions Limited in July 2010, which recommended formation of a LATC. A business case for a LATC was published in February 2011 followed by a 'high level' Business Plan for the Barnet Group in November 2011. The Barnet Group Ltd Business Plan was submitted to Cabinet and Cabinet Resources Committee in January 2012.

Financial crisis

YCB was operating at a loss within six months and this increased to £70,118 by 31 March 2013 in the draft 2012-2013 financial statement. This was a complete reversal of the £85,338 surplus forecast in the LATC business plan in January 2012. Furthermore, YCB had achieved only a small increase in new users and revenue.

The restructuring proposals

Your Choice Barnet issued a Consultation Paper on 1 March 2013 with a 90-day consultation period ending on 31 May 2013 to meet the requirements of Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992. In other words, it was a formal consultation with trade unions and did not involve service users, carers and community organisations, because the YCB maintained that the restructuring would not affect the scope or quality of services.

The bulk of the document, pages 7 – 85, contains a proposed new management restructure with significant changes to staffing levels, jobs and terms and conditions and how these changes will be implemented. The YCB Consultation Paper proposed:

- Divide existing services into two sub-divisions, Specialist Services (Rosa Morrison, Flower Lane and Valley Way) and Community Services (CommunitySpace, Barnet Independent Living Service (BILS) and Supported Living) including a merger of CommunitySpace and BILS.
- Deletion of 11.5 Full Time Equivalent (FTE) Team Leader posts and replaced by 8 Community Service Coordinator posts at a higher pay grade.
- Deletion of 8 (FTE) Support Workers and 4.8 (FTE) Night Support Workers and replaced with 20.5 Assistant Support Workers on a 23% lower salary grade.
- Loss of 5 Independent Living Facilitator posts and 2 Assistant Independent Living Facilitator posts.
- Deletion of enhanced payments for all staff and introduction of a 7-day week.
- Benchmarking of terms and conditions with market rates, which could result in 30% wage cuts, and the introduction of a new salary structure.

Barnet UNISON published a separate critical response to these proposals (Barnet UNISON, 2013).

The YCB Board announced a series of decisions on 17 June. The planned co-location of CommunitySpace and BILS will not proceed; changes in Supported Living and Valley Way are on hold pending consultation with carers and families; the removal of enhanced payments was also put on hold; senior and middle management changes to proceed as planned. The Board rather belatedly *“requested a more robust approach to engagement and consultation with parents, carers and service users and an improvement in direct communications.”*

An update on the consultation process announced limited plans to invite families to personal meetings for Valley Way and Supported Living services.

Failure to engage with service users and carers

The March 2013 Consultation Paper took the untenable position that there would be little or no impact on service users and carers. Thus YCB made no attempt to consult to service users, carers and community organisations about the nature and scope of the planned changes in service delivery, including the quality of services, other than to send them letters notifying them of the changes.

Yet YCB accepted the fundamental importance of their services: *“...a number of customers rely on support across their whole life. There is a need to become a more flexible organisation and to respond to the needs and aspirations of our customers whenever and however they require our support”* (YCB Consultation Paper, 2013).

Service users and carers formed the Campaign Against the Destruction of Disabled Support Services (CADDSS) in September 2011. In May 2013, supported by Barnet Alliance for Public Services, launched a campaign to challenge YCB’s failure to engage service users and carers in the consultation process.

Service users and carers, Barnet Alliance for Public Services and Barnet UNISON attended the YCB Board meeting in May 2013, but the Board refused to discuss the service and staff changes.

YCB eventually agreed to ‘consult’ with service users and carers following the initiation of legal action against YCB by four service users on the failure to consult. The YCB Board responded:

“The Board has decided in principle to proceed with the front-line changes to supported living, salary enhancements and the change to waking night arrangements both within supported living and Valley Way. However, the Board is of the opinion that before making any final decision it needs more information on the effect on service users their families and wider stakeholders and to hear people’s views on any alternatives. To that end the Board intends to consult further, and Your Choice Barnet will shortly be drawing up proposals for the consultation exercise ...” (YCB Board letter to Irwin Mitchell, solicitors, June 2013).

The Board also agreed for legal reasons *“...not to proceed for the moment”* with the co-location of CommunitySpace and BILS and give the 25 staff who have been offered and paid redundancy the choice to proceed with redundancy or not. By mid July 32 staff had left via a combination of compulsory or voluntary redundancy and resignation.

YCB’s approach to engagement is examined in more detail in Part 2, but the tone of the Board’s letter indicates they believe this is a ‘concession’ to service users and carers in the belief that there is no need to consult them about the restructuring proposals.

The consultation is also framed as a ‘gathering information exercise’ with no sense of responsibility or policy to engage implied despite earlier reports to the Board (see Part 2); and there is a clear message that they intend to proceed as planned and will not countenance criticism or alternatives.

Failure to fully assess the impact of restructuring proposals

The YCB Consultation Paper does not contain an impact assessment of the restructuring proposals on the quality and scope of services and how this may affect service users and carers. However, a separate Equality Impact Assessment was recently released, which is discussed in Part 2.

Very little financial information has been released, except for the list of savings achieved in 2012-13, in particular the financial impact of the £1m three-year repayment to Barnet Homes. Hence, it is difficult to determine the financial impact of restructuring and the impact it may have on YCB’s financial forecasts.

The Consultation Paper did not contain a new risk assessment, which is particularly serious given that the restructuring introduced several new risks and increased some existing risks (see Part 3).

Your Choice Barnet services

Barnet Independent Living Service: Specialist support to adults with a range of physical and sensory impairments.

Supported Living: Helping people with learning disabilities to live as independently as possible in their own home.

CommunitySpace: A day service offering community support, activities and care for adults with a wide range of learning disabilities.

Flower Lane Autism: A specialist support service helping people on the autism spectrum to gain confidence and become more independent.

Rosa Morison: A day service for adults with profound and complex learning and physical disabilities.

Valley Way Respite Service: A specialist respite service for adults with complex learning disabilities, physical disabilities, autism or challenging behaviour.

Part 2

The case for service user/carers engagement

This part is divided into two sections. The first section sets out the case why service users, carers, community organisations and staff and trade unions should be engaged in the design, delivery and review of services. It draws on evidence from a wide range of studies. The second section examines YCB's policies and practice in the way it has, or has not, engaged with service users, carers and community organisations.

The need to engage service users, carers and community organisations

This section makes the case for full and continuing engagement of services users, carers and community representatives, together with staff and trade unions, in the design, delivery and review of services. The evidence is summarised in four parts - the legal case; the relationship between the quality of employment and the quality of service; best practice public management and business planning; and the important impact of personal budgets on YCB finances.

1. The legal case

Public bodies have a legal duty to consult under Part 1 of the Local Government Act 1999, as amended by Section 3 of the Local Government and Public Involvement Act 2007 and subsequent Best Value Statutory Guidance.

In the Judicial Review, *Nash v Barnet London Borough Council* (29/04/2013), the Lord Justice Underhill held that *"...the Council had not complied with its obligations under section 3 (2) of the 1999 Act in respect of the decisions taken in 2010/11 to outsource the performance of its functions and services, covered by the proposed NSCSO and DRS contracts."*

The Judge rejected the Council's interpretation of 'consultation' and concluded: *"The essential is simply that the representatives should have been given the opportunity to express views or concerns about outsourcing the functions or services in question that could inform the Council's decision-taking both on whether to proceed and on matters requiring attention in the arrangements eventually made."*

The YCB matters are not directly connected with outsourcing to a private or voluntary sector contractor, but they do concern the arrangements for *"securing improvements in the way in which authorities perform their functions."*

Furthermore, the legal duty is reinforced by three other substantive reasons why full and proper consultation should be carried out by YCB, These are the employment/quality of service relationship, best practice public management and business planning and the important impact of personal budgets on YCB finances. We examine each of these in more detail below.

2. The employment/quality of service relationship

The proposed changes to staffing levels and terms and conditions will almost certainly have a negative impact on the quality of service and the ability of YCB to recruit and retain staff. The restructuring proposals will reduce the quality of supervisory staff and fracture supervision and monitoring arrangements.

A large volume of studies has found a direct correlation between the quality of employment and the quality of service (see box on page 10). The studies cover a range of public services and service industries and reveal a number of important common themes. The evidence clearly indicates that if these practices are jettisoned because of financial pressures or management practice they could have financial and operational consequences.

The relationship between the quality of employment and quality of service
<p>Over 100 studies in Britain and other countries found a direct connection between the quality of employment and employee engagement and the quality of service in both public and private sectors. They include:</p> <ul style="list-style-type: none"> • A meta-analysis found statistically significant and substantively important relationships linking employee satisfaction to customer satisfaction and perceived service quality (Brown and Lam, 2008). • Research has shown that job satisfaction can have a significant impact on service quality and, ultimately, on organizational effectiveness in a service organization (Snipes et al, 2005). • Sustaining good working conditions for nurses is crucial to increase retention, enhance performance and productivity and promote safe nursing care (Almalki, 2012). • Working Together for Best Value (Improvement and Development Agency, 2002). • Empirical analysis shows a direct and positive relationship between employee satisfaction and the quality of hospital patient experience (Peltier et al, 2009).

The three-fold benefits of recognising the relationship between the quality of employment and quality of service are summarised in Table 1. It is based on a review of over 40 studies of employee engagement, employee satisfaction and patient satisfaction in health services.

Table 1: Relationship between quality of employment and quality of service

Reported Relationships and Outcomes		
Effects of higher employee engagement levels on employers	Effects of higher employee engagement and satisfaction on patients	Effects of higher employee engagement/satisfaction on financial performance
Improves employee productivity Improves relationships with management Reduces job stress Increases employee satisfaction Increases retention	Improved quality of care Increased patient satisfaction Increased patient loyalty	Lower employee recruitment, retention and training costs Higher patient loyalty to organisation Possibly lower costs related to the delivery of patient care

Source: Peltier et al, 2009

The proposed YCB restructuring could have a significant effect on the delivery and quality of services in the following ways:

- The reduction of 13.2 posts (6.8 FTE) and fewer staff at key times, which could affect the quality of care.
- Higher turnover of staff could result in a loss of consistency for service users – 21 staff agreed to take voluntary redundancy and continued use of agency staff.
- The move to market rates could reduce the skills and experience of staff and thus affect various aspects of the delivery of services.
- Cuts in terms and conditions could reduce staff morale.
- Recruitment and retention problems will have a negative impact on YCB’s financial situation.
- The loss of service users who decide to make other arrangements.
- Reduced quality of care will make attracting new service users and/or contracts more difficult and could increase YCB’s financial problems.

YCB continues to refer only to Full-Time Equivalents (FTE) when it should be reporting employment change in both actual job numbers (the number of staff affected) and FTE as part

of basic good practice and out of respect to staff. Reporting employment change only in FTE gives the appearance of smaller job losses and the number of staff affected by restructuring.

3. Best practice public management and business planning

Good practice business planning strongly recommends engagement and consultation with service users and staff in the preparation of and subsequent revisions, of the business plans.

The good practice guidance designed for the preparation of a business case is equally applicable to subsequent preparation of business plans. *“The larger the number of management and staff members involved in the preparation of a business plan, the less the chance that non-viable solutions will be arrived at. Ultimately, those employed by the business will assume some of the responsibility in implementing the plan. Therefore, it makes sense from a technical, psychological and team-building point of view to involve them at an early stage of the process. Firstly, employees have the best knowledge of the different aspects of the company’s operations, and secondly no plan will be implemented successfully unless key employees identify themselves with the targets set and the means committed”* (United Nations Conference on Trade and Development, 2002).

HM Treasury Green Book supplement on the preparation of business cases states that responsibility for producing business case “...must be viewed as a fundamental part of the overall business planning process, which requires advice and guidance from the business managers, users and technicians involved in the scheme” (HM Treasury, 2013).

The Office for Government Commerce (now part of the Cabinet Office) produced a Best Practice Guide to the Common Causes of Project Failure, which cited eight key reasons. Significantly, the third item was: *“Lack of effective engagement with stakeholders.”*

Service users and carers have a valuable contribution to make to key stages of the business planning process, particularly the identification of user needs, strategic objectives, assessing the strengths and weaknesses of existing services, input to service improvement plans and in reviewing service delivery. For example, CommunitySpace service users and carers are very concerned about the lack of choice since the day care function/community hub was removed. Service users want and need the option of when to participate in visits out in the community.

Similarly, staff and trade unions have a key role in the design and implementation of service improvement plans, the organisation of service delivery and working methods, contribute to strategic objectives, improve job satisfaction and hence provide better services, and contribute to a climate of positive industrial relations.

4. The important impact of personal budgets on YCB finances

Although in-house services cannot be purchased with a Direct Payment (the service user receives the cash equivalent of a directly provided service), this is not the case for a Personal Budget. A personal budget is an allocation of the value of care and support, which a service user is entitled to. If they wish to receive a package of council provided services they do not need to receive a direct payment. In fact, a service user can decide to have part of their budget used for in-house services and the rest of it paid out as a Direct Payment to be used with another provider.

The Government has expressed a wish for services/Personal Budgets to be issued in the form of Direct Payments, but they have not insisted they *must* be issued in this form. The Council has failed to produce any kind of evidence that service users would choose to have a Direct Payment knowing this would exclude them from the very service they wish to access.

YCB’s first year was financed by a block grant from Barnet Council, which meant the Council paid the cost of running the services upfront. Public services have always been provided on this basis. However, in subsequent years YCB must operate with payment in arrears and linked to attendance. So non-attendance is a financial loss to YCB.

The original plan was to give service users requiring long-term, high intensity services, more control over the design and delivery of services. However, governments have extended

personal budgets/direct payments to more and more groups of service users. This has three objectives. Firstly, to increase choice, but this is very limited because it is highly unlikely that duplicate facilities will ever be provided in many services, unless service users and carers are willing to travel longer distances. Secondly, it increases the role of market forces in the provision of services. Thirdly, service users and carers are forced into making a personal financial contribution, or top-up, whenever a direct payment does not cover the full cost of a service. This model of provision is designed to marketise public services and will have drastic consequences for the NHS, education and other services.

Returning to YCB's financial position, it is evident that the case for establishing YCB as a local authority trading company was deeply flawed (Barnet UNISON, 2011 and 2012). Barnet Council is pressing carers to accept Direct Payment and has set the price of services. YCB must retain its existing service users and try to maximise their use of its services and increase its occupancy rates. Yet its growth plans have had very limited success to date (see Part 3).

YCB's financial situation is heavily dependent on how service users and carers respond to personal budgets. However, the level at which the budget is set is entirely in the hands of Barnet Council and this accounts for the vast bulk of the source of funding for YCB. YCB must retain the support of service users and carers if the growth strategy is to be successful. The quality of service is key to both retaining current service users and to attracting new service users. It follows that a strategy to engage service users and carers in the design, delivery and review of services is a necessity.

Equalities analysis

A YCB Equality Analysis assessed the impact of the proposals at Valley Way, BILS, CommunitySpace, the removal of enhanced payments and engagement and involvement for staff, service users, carers and families (YCB, 2013).

The following excerpts from the YCB Equality Analysis focus on the impact on service users:

Valley Way

“There may be a loss of confidence in service due to reduction in night staff.

Deputy Manager is well liked by families that use Valley Way therefore families may feel less confident in the service following her departure.

Valley Way is marked as a high need service and is priced accordingly. Removing a night staff worker and the deputy manager may impact on the service's reputation, which in turn could impact on demand for the service, particularly under Personal Budgets.

The potential reputational risk to YCB caused by a perceived drop in quality of service could impact The Barnet Group business aim of acquiring new business.”

Supported Living

“The quality of service may be affected if staff are unhappy working in a role that pays less under new terms.

The absence of waking night staff may cause concern for service users even if they generally do not use support at night.

The majority of service users are men therefore any impact on level or quality of service as a result of this proposal will have a disproportionate affect on men.

The change from support worker to assistant support worker will not impact on the quality of service received by the service users. It is expected that they will receive the same level of service as before.

However there is a risk of low morale among staff as a result of the proposals which could impact on the quality of service received by the service users.

Barnet Independent Living Service

General observation around the residency of BILS service users indicate that approximately 50% of service users will need to travel further to reach the Space building.”

Removal of enhanced payments

“There is a risk of low morale as a result of the proposal which could impact on the quality of service delivered, in particularly at weekends.

There is a risk of low morale among staff which may impact on quality of service. Under personal budgets service users can choose which services they buy. It is possible that service users may choose to go elsewhere if they or their families and carers feel the quality of services offered has dropped.

At present staff are happy to work weekends, nights and bank holidays – there may be reluctance to work these shifts under the new terms.

Staff absence may increase due to low morale, particularly at weekends which could impact on service provided.”

Co-location of CommunitySpace and BILS

“Potential disruption to routine

Potential loss of known staff

Difficulty to get used to new service users being in the building (CommunitySpace)

Lack of understanding/ sympathy between the two sets of service users - attitude towards each other, acceptance in particular users from BILS may be unhappy sharing services with those who use CommunitySpace due to the difference in needs

Changes to transportation arrangements - the impact will vary widely depending on the level and type of disability, especially for service users with physical impairment/s (BILS).

BILS service users may be less likely to integrate or be happy around the changes than the CommunitySpace service users due their self-perception of their disability in comparison to CommunitySpace service users.

There may be additional impact that is difficult to quantify; there may be service users, such as women, of particular ethnic or religious groups where they may not be able to travel alone due to their belief.”

The Equality Analysis also reported that the restructuring proposals would have a disproportionate effect on older female/black staff and the approximate 23% cut in wages for Support Workers. The *“...drop in salary coupled with benefit cuts which may affect low income families could cause serious financial problems for staff. In particular women and black staff members who make up the majority of employees affected here.”*

YCB’s engagement policy and practice

CADDSS requires engagement with YCB through regular participation of a representative group of service users, carers and relevant community organisations in the design, delivery and review of Adult Social Services. Users and carers should have the right to comment and make proposals on the development of services.

The engagement and participation of service users, carers and community organisations, together with staff and trade unions, has been widely advocated by international, national and local public bodies for several decades. For example, governments and public bodies *“...should encourage, where feasible, the direct participation of users and beneficiary groups in the design, implementation and monitoring of local public goods and services. And they*

should enhance the capacity and efficiency of accountable organisations and institutions rather than replace them” (World Bank, 1997).

However, policy and political statements have rarely been put into practice primarily because management generally believes, wrongly, that any acquiescence of power has a greater impact than the gains to be made in the engagement of service users and staff in the design, delivery and review of services. Furthermore, there is little public management training in service user/staff engagement so that the vast majority of managers lack the necessary skills and commitment.

The failure to engage with service users and carers

This section examines the various references to service user and carer engagement in the report to the YCB Board and in Board minutes. It concludes with an assessment of what they reveal.

YCB had been operating for only two weeks when a report to the Board stated:

“The transfer of the service is not expected to have service user implications however there is a need to maximise income and ensure schemes operate profitably without which some services might need to close or be transferred which could have significant implications” (YCB Business Plan 2012-2015 report to Board, 14 February 2012).

The business plan item was deferred to the May and then September Board meetings when it was then classified confidential with no report published in the public minutes.

A report to the September 2012 Board meeting referred to a meeting between the Chief Executive of the Barnet Group and the Your Choice Barnet Management Team in July 2012:

“Staff are feeling that they have a say and enjoy the staff engagement opportunities that we have in place.”

A report on Performance Management Information to the same Board meeting detailed *“performance across the six services, and has helped identify several issues which need further investigation and development.”* However, it also stated:

“There are no specific service users implications for the attached performance information.”

The same meeting discussed a financial statement that showed that YCB was already reporting losses after only seven months in operation.

The minutes of the September 2012 Board meeting stated

“Item 4.3. Your Choice Budget for 2012/13 – The Board was updated on the work being done to engage service users, carers and family members. The initial aim is to start to establish a small panel of representatives. KK [Kate Kennally, Director of Adult Social Care and Health, LBB] welcomed this but said that there are a lot of other mechanisms and forums that could be used to get their voices heard. The Board endorsed the positive approach being taken and looked forward to receiving an update paper in the next meeting outlining the plans to set up a Customer Engagement Panel by the end of this year” (YCB Board Meeting Agenda, 6 February 2013).

The Your Choice Barnet Engagement Plan 2012-2013 was submitted to the February 2013 Board meeting. The report began by stating: *“A fundamental tenet on which the organisation was formed is that service users and carers are fully involved in its development.”*

It reported *“... a number of successful local forums which are facilitated and promoted by staff and managers in the services,”* self-advocacy groups for service users active in Supported Living and CommunitySpace and ‘friends’ groups in Flower Lane, CommunitySpace, Valley Way and Rosa Morison. However, carers report that the ‘friends’ groups exist in principle but are currently not functioning. The YCB Business Improvement Team reported it had made over 86 telephone calls to carers to determine what level of involvement they wanted. Some carers received calls, but reported the purpose appeared vague. The BILS manager had been

designated the 'Engagement Champion' and an Improvement Officer recruited to the Business Improvement Team to "...ensure there is a shared agenda across the organisation." A work programme was included in an appendix.

Significantly, the Financial and Risk Management Implications of the Engagement Plan were cited as "*There is a reputational risk of not informing and involving people.*" In other words, it seems YCB's reputation is the primary concern.

The minutes of the February 2013 Board meeting stated:

"...the Engagement Plan was now being worked on and that a dedicated resource was now in post to get the plan moving and progress the actions. In addition, a YCB Manager has been appointed Champion for Engagement and would help in providing an operational flow.

The Plan will be brought to the meeting in September" (YCB Board Agenda and Minutes, 29 May 2013).

It is apparent that service users, carers and community organisations were not 'consulted' about the content during the preparation of YCB's Engagement Plan.

The Your Choice Barnet Operational Plan April 2013-March 2014 stated: "*Meaningful communication with service users, relatives and carers will be essential during this phase and we will need to build on the first two consultation meetings with families and carers as part of our engagement plans for the rest of the year.*" (YCB Board Meeting, May 29 2013)

The YCB Consultation Paper on the restructuring proposals was summarised above. It was directed to staff and trade unions in the belief that the proposals did not affect the delivery or quality of services, so there was no need to consult with service users, carers and community organisations. The Impact Assessment and Equality Analysis reported that parents and carers had been sent letters informing them about the proposed changes with three information sessions planned for late March 2013.

This position was untenable given the planned scope of restructuring. The YCB Operational Plan for 2013-2014 was correct in stating:

"The staffing restructure will impact on all services and levels of management in Your Choice" (page 62, YCB Board Agenda, 29 May 2013).

YCB also needs to adopt a common approach in the language it uses to describe service users rather than 'customers' (documents often refer to both), service or organisation instead of 'business' and engagement instead of 'consultation'.

CADDSS is concerned that YCB improve communications with parents. Parents whose children live in residential care homes do not always receive information intended for them.

Implications for service users and carers

YCB's approach to planned consultation of its 'customers' on a one-to-one basis should only be one small part of an engagement strategy. This approach may provide an opportunity for service users and carers to express their views, but it has significant shortcomings that include:

- Confusion between consultation and engagement, for example the difference between communication decisions and supplying information compared to seeking reviews on important changes from a group representing all YCB services
- YCB engagement does not attempt to seek a collective response from services users and carers. Irrespective of the quality of the various initiatives described in the Engagement Plan, the work programme makes it clear that they are treated as a set of discreet but separate initiatives. There is no intention to promote collective engagement.

- One-to-one consultation and separate small service user groups, irrespective of whether they are successful or not, enable management, by design or by default, to divide-and-rule.
- No opportunity is made for community organisations to make an input.
- Engagement is primarily focused on information-giving and managing service user/carer concerns and responses. The prime objective appears to be to safeguard YCB's reputation when marketing its services.
- The scope and content of consultation is entirely determined by management.
- The results of consultation only known to management and can easily be interpreted and privatised by management who also control what is disclosed and when.
- Ultimately, managers lose out by failing to benefit from service users and carers experience, perspectives and ideas.

Three gaps in democratic accountability

YCB suffers from three important gaps that require immediate attention:

Governance Gap – parents do not have direct representation on the Board. The Board originally appointed a member as a 'parent representative' with experience of care services, but the chair of a recent YCB forum determined this 'representative' did not have an individual responsibility as a board member to represent relatives' views.

Engagement Gap – engagement policy and practice is inadequate and unacceptable.

Transparency Gap – disclosure is selective and limited.

Engagement principles

CADDSS proposes that service users, carers, CADDSS and YCB agree the following set of core principles for future engagement:

CORE PRINCIPLES OF ENGAGEMENT

Engagement – which includes regular discussion with representatives of service users, carers and community organisations in the design, delivery and review of services.

Collective – recognises that service users, carers and community organisation representatives have the right to collective engagement. One-to-one meetings and small group meetings may have a role but only as part of an overall engagement structure.

Relationship between services and jobs – recognition of the relationship should help to maximise the benefits for service delivery.

Respect for alternative ideas and proposals – that alternative ideas and proposals will be properly considered and responded to.

Honesty – a high level of trust is essential to sustain engagement and obtain its benefits, which requires honesty from all parties.

Information disclosure – widening disclosure and sharing of information whilst protecting privacy and confidentiality.

Dual responsibility – both sides must ensure representatives are briefed and prepared for meetings that are planned and organised with sufficient notice.

Part 3

The making of YCB's financial crisis

This part of the report examines the roots of YCB's financial crisis, its failure to achieve growth, the consequences of commercialising services, plans for further use of consultants and the failure to address new risks. It also draws on the critical analysis of the options appraisal of Adult Social Services and the business plan for the LATC.

Summary of first year YCB performance

- Financial crisis with projected loss of £70,118 instead of a forecasted £85,338 profit leading to a £1m bailout from Barnet Homes.
- Service, management and employment restructuring launched March 2013 but this was planned in summer 2012 – the agenda for the 12 September 2012 Board meeting included “...the restructure proposals outlined in Item 7 which concern all staff.”
- Failure to obtain new 'business'.
- Two of the six Directors of YCB have resigned:
 - Resignation of Director and Chair, Deep Sagar (15/01/2013). Resigned just prior to the 6 February 2013 Board meeting.
 - Resignation of Director, Amanda Jackson (19/4/2013).
- Failure to appoint a Director with “...learning or physical disability or someone with an understanding of people with disabilities” (Minutes of 12 September 2012 and 6 February 2013 YCB Board meetings).

The roots of YCB's financial crisis

YCB were forecasting an £82,000 loss after only six months of 2012/13 (Barnet Group Board meeting, November 2012). However, a financial report to the YCB Board on 12 September 2012 reported a projected loss of £232,044 or £229k for the full year to March 2013 (YCB, 30 August 2012). The YCB Consultation Paper (March 2013) referred to a projected loss of about £60,000 in 2012/13, which rose to £67,044 in the draft year-end financial statement (see Table 2).

Table 2: Draft Profit and Loss Your Choice Barnet Ltd, April 2012-March 2013

Items	Actual (£)	Budget (£)	Variance (£) Favourable or (Adverse)
Income			
Management Fee	5,461,577	5,486,037	(24,460)
Other LBB income	13,583	0	13,683
Other Local Authority Income	481,702	483,263	(1,561)
Personal Budgets	62,123	0	62,123
Other Income	74,907	29,620	45,287
Total Income	6,093,892	5,998,920	94,972
Expenditure			
Salaries	4,805,360	4,873,720	68,360
Agency staff	317,296	0	(317,296)
Other employment costs	51,751	71,349	19,598
Accommodation	203,152	244,103	40,950
Supplies and services	282,663	309,044	26,381
Service Level Agreement	503,788	503,778	(10)
Total Expenditure	6,164,010	6,001,994	(162,016)
Net Profit (Loss)	(70,118)	(3,074)	(67,044)

Source: YCB Board Agenda 29 May 2013.

There is a clear pattern of continuing losses, only stemmed by the £179,590 savings achieved in 2012/13, followed by the planned management, service and job restructuring in 2013/14, plus the £1m inter-company loan or bailout from Barnet Homes.

Why the sudden and huge change in financial forecasts?

The YCB financial forecast switched from a surplus of £80,556 after four years in the May 2011 Business Plan to a staggering £1,983,780 in the same period in the January 2012 Business Plan. This was a 2,363% increase in just six months!

The losses of £330,367 in the first two years in the May 2011 forecast were replaced by forecasted surplus of £561,524. In addition, the surplus for years three and four was increased from £249,810 to £1,422,256, a 469% increase. The sudden switch in forecasts “...reflects due diligence undertaken by senior managers in both LBB and Barnet Homes” (Report to Cabinet Resources Committee, 16 January 2012). Both forecasts were rubber-stamped by Cabinet Resources Committee.

The roller coaster of YCB’s financial forecasts are summarised in Table 3. It also highlights the additional significant changes in income and expenditure in 2013-2014 and up to 2015-2016.

Firstly, the accumulated loss of £70,118 in 2012-2013 will be carried forward.

Secondly, income is forecast to reduce from £6,093,892 in 2012-2013 to £5,565,753, a reduction of £528,139.

Thirdly, the Income Budget for 2013-2014 includes an additional 3% growth of £162,109 across all income streams including Barnet Council, other local authorities and other sources of income.

Fourthly, the £1m loan from Barnet Homes must be repaid over three years at an annual cost of between £353,330 and £393,333 (6% interest rate, The Barnet Group, 2013).

Finally, the £179,590 budget reductions in 2012-2013 are assumed to continue in subsequent years. Changes in expenditure as a result of the management/job restructuring proposals are not available.

Table 3: Roller coaster of YCB’s ‘profit and loss’ forecasts

	Year 1	Year 2	Year 3	Year 4
Full Business Case, May 2011				
Net profit or loss	-£282,260	-£48,107	+£106,665	+£143,145
Cumulative profit or loss	-£282,260	-£330,367	+£223,701	+£80,556
High Level Business Plan, November 2011 and January 2012				
Net profit or loss	+£85,338	+£476,186	+£718,378	+£703,878
Cumulative profit or loss	+£85,338	+£561,524	+£1,279,902	+£1,983,780
Draft Financial Statement for April 2012-March 2013				
Net profit or loss	-£70,118	n/a	n/a	n/a
Cumulative profit or loss	-£70,118	n/a	n/a	n/a
Additional significant changes to income and expenditure in and beyond 2013-2014				
Cumulative loss	-	-£70,118	n/a	n/a
Reduced income	-	-£528,139	n/a	n/a
Repayment of loan on commercial terms (based on 6% interest rate)	-	-£353,330	-£373,333	-£393,333
Additional growth income	-	+162,109	n/a	n/a

Sources: Final Business Case for Adult Social Services project, May 2011; The Barnet Group High Level Business Plan and “reflects due diligence undertaken by senior managers in both LBB and Barnet Homes” - Report to Cabinet Resources Committee, 16 January 2012; Source: YCB Board Agenda, 29 May 2013 (includes loss of £3,074 for February-March 2012; Draft Financial Statement 2012-2013 and YCB Operational Plan April 2013-March 2014, YCB Board Agenda, 29 May 2013. Note: n/a – not available

These financial issues raise some fundamental issues:

The abrupt change in YCB financial forecasts may have been necessary to correct major mistakes in the May 2011 Business Case, or it was based on radically new information which came to light in the six month period between May and November 2011. However, this evidence was never disclosed and made evident in the final business plan. The first year forecast went from a projected loss of £282,260 in May 2011 to a surplus of £85,338 in January 2012 to a loss of £70,118 and a £1m bailout fourteen months later! This is a staggering turnaround. There is a continuing global debate about the inaccuracy of forecasting Public Private Partnership toll road traffic and revenue, but nothing on this scale.

The bailout of YCB with a £1m inter-company loan from Barnet Homes was not considered necessary when Cabinet approved the LATC Business Plan in January 2012. Yet just over a year later it was deemed essential.

The huge change in the forecasts and subsequent poor 15-month financial performance of YCB suggests a high degree of manipulation of the forecasts. The motive was almost certainly to create financial pressure for radical restructuring to reduce jobs, terms and conditions. It was little short of constructive dismissal and a means to impose market wage rates.

It is important to note that the costs of setting up the LATC were originally estimated to be about £360,000, but we estimate that the final figure was nearly twice this amount. So the LATC cost well in excess of half a million pounds despite Barnet Homes already being an arms length company.

Consultants Agilysis, Impower and Care and Health Solutions, together with lawyers Towers Hamlin, advised Barnet Council and have received millions in fees from the One Barnet project to date.

Failure to achieve growth

“Additional income of £40k has been generated in the first quarter mostly from The London Borough of Barnet. Very little has been generated from other sources. The additional income is from one to one and night support, mostly at Supported Living” (YCB Board financial statement, 30 August 2012).

Another report to the same Board meeting reported only seven new clients other than Barnet council clients since February 2012 producing additional income of £5,936. The bulk of the additional income came from Barnet Council with £45,836 with increased services for two existing and five new clients.

The differences in basic figures presented to the same Board meeting must be a concern, although this not noted in the Board minutes.

YCB unsuccessfully bid for a high/complex needs day service in Tower Hamlets and management decided not to progress a framework contract for Supported Living in Islington in 2012.

“The YCB website is known to have generated some interest and at least two new clients have begun to use the service as a result. One from Enfield and one from Bishops Stortford. There have been two other new clients from Haringey join the service. Since the end of the 2nd quarter there have been bookings of 98 nights from out-of-borough clients” (Report to YCB Board, 6 February 2013).

YCB has failed to deliver the new clients and contracts on which the business model is based.

Consequences of commercialising services

The YCB commercial model will continue to have very negative effects for service users and carers and for staff. The benchmarking project is intended to embed market wage rates in YCB. The care sector is notorious for low pay and poor benefits.

This process inevitably deskills the workforce because skilled staff will seek jobs with other employers or leave the sector. Retaining skilled and committed staff will become increasingly difficult, forcing ever-increasing use of costly agency staff.

Management, supervision and monitoring are vital in social care services, yet they are the first to be sacrificed in the drive to cut wages and benefits.

These strategies have one thing in common – they have a negative impact on the quality of service and make engagement with service users, carers and staff much more difficult to sustain. The evidence summarised in Part 2 clearly shows that this approach will lead to lower quality services.

Instead of developing a shared service approach to the delivery of Adult Social Services with other London Boroughs and local authorities, Barnet Council adopted a commercial model by trying to outbid other competitors. Trading for new ‘business’ or contracts across a wide area is significantly different from a shared service between local authorities and is a very high-risk strategy.

More consultants!

Despite YCB’s financial crisis it has agreed to new contracts with consultants:

Valuing Care Limited has been appointed to help in developing a ‘robust pricing structure’, in other words to benchmark market rate terms and conditions. Many market competitors pay 30% less than current YCB rates, well below the London Living Wage.

Care & Health Solutions Limited has been appointed to assess new business opportunities (it produced the Adult Social Services In-House Options Appraisal in 2010).

We consider the consultant contracts to be redundant and will provide little information that YCB does, or should, not already know or could be obtained internally at a fraction of the cost.

Public information failures

YCB and The Barnet Group are currently failing to provide basic public information on their websites:

- The agendas and minutes of The Barnet Group Board and the Audit and Risk Committee meetings held since November 2012 are missing from the website.
- The agenda and minutes of the YCB Board on 29 May 2013 are not available on the YCB website.
- The link to find out more about YCB Board Members is not operable.

Failure to assess new risks

Barnet UNISON reports on the options appraisal, business case and business plan for Adult Social Services criticised the lack of rigorous risk assessments (Barnet UNISON 2010, 2011 and 2012). An urgent risk assessment is needed to identify weaknesses and to assess the potential impact of new risks, which include:

- The transfer to payment in arrears imposes more significant financial pressures than forecast and could lead to further restructuring and cuts.
- Reduced staffing levels, wage cuts and deskilling could create a downward spiral within the organisation of reduced staff morale, higher turnover of staff resulting in higher recruitment/agency staff costs, and a decline in the quality of service.
- Reduced supervision and training of permanent staff due to reductions in team leader posts and YCB’s precarious financial position.
- Failures to attract additional service users to increase attendance rates and win new contracts from other authorities or agencies.
- Ability to meet the 3-year repayment schedule for the £1m Barnet Homes loan (if Barnet Homes needs to draw on all of its reserves, or if YCB’s financial position does not improve on the scale and/or at the rate required to meet its financial obligations)

- Potential risk of restructuring, service reductions and/or job losses, cuts in terms and conditions and increased use of agency staff has a negative effect on the quality of service.
- Other risks have increased since the original business plan - see Part 3.

Lessons not learnt

YCB's problems are rooted in decisions made before and during the Options Appraisal that pre-judged the future of the services. The options appraisal was not an open and full appraisal of all the options and had the hallmark of working towards a pre-determined solution. A 'business as usual' in-house option was totally inadequate and inevitably did not score high marks in the evaluation.

Firstly, the options appraisal was flawed.

"The options appraisal process is flawed because it is operating to a predetermined agenda, it is not comprehensive, nor in sufficient detail to examine the impact and consequences of the options. The examination of options was uneven and did not fully examine the advantages and disadvantages of each option. The evidence base and the quality of data also raise questions about whether value for money has been properly assessed" (Barnet UNISON, 2010).

The analysis of the LATC Business Case approved by Cabinet in January 2012 made several important conclusions that have not been addressed:

Secondly, the financial structure of YCB and the LATC was fundamentally flawed.

"Adult Services will be required to provide 90% of the Barnet Group profits:

- *The profit ratio (profit as a percentage of income) in Adult Services is forecast to increase rapidly from 1.5% in year one to 11.1% by year three and falls marginally to 10.9% in year four.*
- *Ethical and moral issues concerning why Adult Services should be expected to have such high level of profitability are absent from the Business Case and the report to Cabinet.*
- *In contrast, the net profit level of Barnet Homes remains static at 0.5% over the four-year period.*
- *It would appear that Adult Services is being set up to be the cash cow. It will not only be the sole provider of dividends to the Council, but will also, in effect, subsidise Barnet Homes. This is inequitable and unsustainable" (Barnet UNISON, 2012).*

Thirdly, the LATC Business Plan failed to identify several important risks.

- *"A small reduction in income or an increase in costs will result in substantial losses for Adult Services – the business plan concedes Your Choice company is financially vulnerable. There is no assurance provided on the quality or reliability of data and assumptions used.*
- *Services that are unable to cover their costs and "...cannot support themselves financially longer term" (page 51) will be closed down.*
- *Adult Services are being required to transfer to a new payment mechanism within a very short period of time, which is dependent on changes in the uptake of Direct Payments.*
- *The financial viability of the Your Choice and Barnet Group companies is heavily dependent on Adult Services. This places the learning disability and physical and sensory impairment services in an untenable, inequitable and unsustainable position" (Barnet UNISON, 2012).*

Fourthly, governance and service users/carers engagement arrangements were weak and could lead to the erosion of democratic accountability.

Finally, the transfer of services to a LATC would have a negative impact on service users, staff and council taxpayers.

- *“An increasing business and commercial operating environment, profit targets, cost reduction strategies and potential closure/reduction of services will increase inequalities in Barnet.*
- *Staff will face increased pressure on staffing levels, morale, working practices and terms and conditions, potentially leading to job losses and redundancies” (Barnet UNISON, 2012).*

Unfortunately, events have proved this analysis to be correct.

The plan for Your Choice Barnet to become a cash cow for the Council by producing £1,983,779 profit in the first four years was morally reprehensible and financially inept and is now in tatters.

Part 4

The case for a return to in-house provision

Prior to the formation of YCB the Council responded to a series of questions which included one about what would happen in the case of failure of Your Homes Barnet: *“The Council will remain as the provider of last resort for all social care provision that it commissions on behalf of service users”* (ASC Shadow Board response to questions, September, 2011).

There is now a very substantive case for returning Your Choice Barnet services back to in-house provision to:

- Stabilise the finances of the six services.
- Remove the threat to Barnet tenant’s housing management service with rapid repayment of the £1m bailout.
- Take a more effective and measured approach to their development to avoid the misuse of public resources in pursuing inappropriate and unachievable commercial objectives.
- Prepare a three-year development plan with the engagement of service users, carers and community organisation together with staff and trade unions.

The cost of transfer back to in-house provision will be minimal and a fraction of the cost in establishing the LATC.

The proposal to integrate some aspects of YCB and Barnet Homes services could continue.

Barnet Homes was a stand-alone organisation before the Barnet Group was established and whilst this could continue in the short term. Several local authorities have returned their Arms Length Management Organisations housing services to in-house provision. The transfer of Your Choice Barnet services would create an opportunity for the Council to fully examine this option.

LATC failures in other local authorities

YCB’s financial problems are not unique. At least two other local authorities have suffered major financial problems with local authority trading companies.

Kensington and Chelsea LATC failure: Chelsea Care was formed as an arms length company by the London Borough of Kensington & Chelsea in 2009 to provide personal care and a brokerage to offer independent information and advice on how to manage and pay for care and support. However, Chelsea Care suffered a financial collapse in 2011 and was quietly closed.

Stockport Council brings services in-house: Individual Solutions SK (ISSK) was set up as a local authority trading company by Stockport Council 2009 to deliver home care and related services. About two hundred staff transferred to the new company. However, performance targets were missed, overhead costs increased despite a pay freeze and ISSK failed to win any contracts. Over 80 care workers plus 16 clerical staff and 16 managers were given 90-day redundancy notices in autumn 2012 as ISSK sought to make £1.2m savings.

In January 2013 the Council agreed to return the home support/reablement service back to the Council in order to “...improve performance and to take advantage of opportunities for collaboration and integrated working with health and social care partners” (Executive Meeting, 7 January 2013). Other ISSK services such as meals on wheels, transport and day care services were also to be reviewed.

Part 5

Recommendations

The YCB Board should immediately:

1. Engage in full and continuing engagement with service users, carers and community organisations, together with staff and trade unions, in the design, delivery and review of Adult Social Care services. This should include community meetings and facilitate the submission of proposals for the future of the services. It requires a new Engagement Plan prepared with service user and carer representatives.
2. Endorse the seven core engagement principles into the YCB engagement policy and commit to their application practice (see page 16).
3. Agree not to implement the management and staffing proposals in the Consultation Paper published on 1st March 2013.
4. Immediately terminate the benchmarking contract with Valuing Care Limited and the consultancy contract with Care and Health Solutions Limited.

Barnet Council should:

5. Return YCB services to in-house provision at the earliest practical opportunity.
6. In the short-term, extend the block contract to ease YCB cash flow problems.
7. Prepare a three-year service development plan with service users, carers, staff and trade unions.

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