

PUBLIC SERVICE ACTION

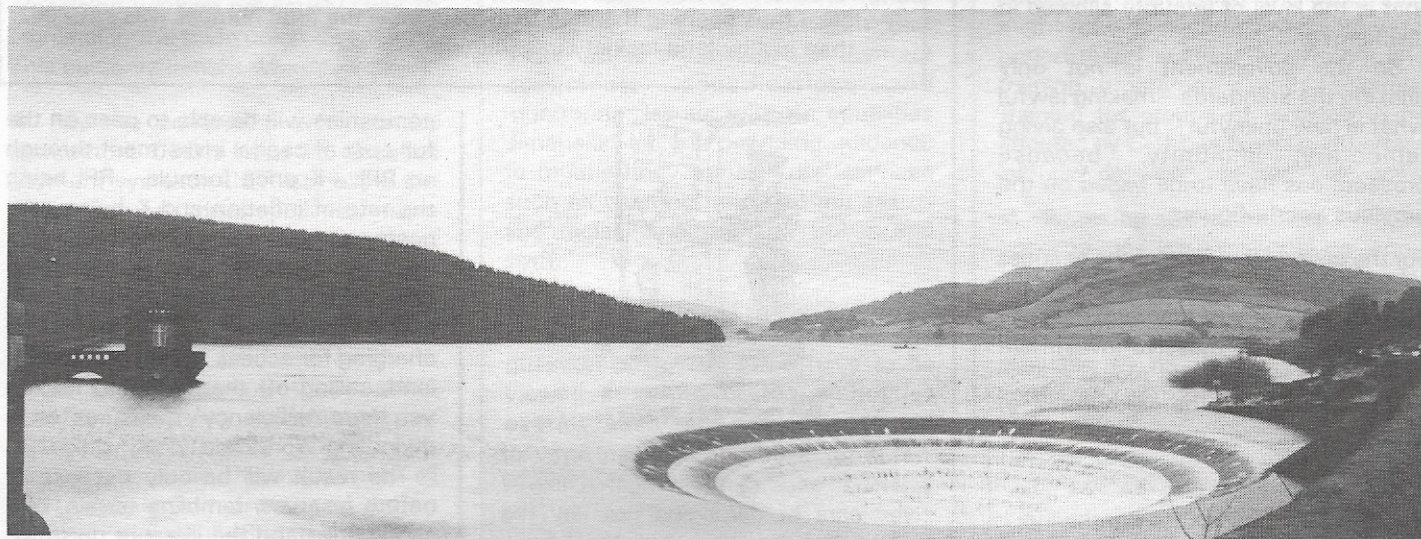
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THE ANTI-PRIVATISATION MAGAZINE FOR THE LABOUR MOVEMENT



Water Drains Tory Support

The government remains determined to privatise water by the end of this year, but doing so could well cost them the next general election. If that happens, and Labour wins, the ten water authorities in England and Wales will be brought back into public ownership, say Neil Kinnock – although he's not saying when.

The more controversial their plans for water have become, the more the government has treated them as a virility test of its whole privatisation policy.

The political price it is paying was revealed by the results of an opinion survey published in the Observer on July 2nd, the week after the Water Bill cleared the House of Lords.

The poll showed that *four out of five* electors are opposed to privatising water, and although such figures have never bothered Mrs. Thatcher much, her ministers are concerned about the survey's discovery that more than half of the City of London's fund managers

believe the government should delay the sell-off until the industry has come into line with the growing number of European Community (EC) directives about water quality and the environment (see panel).

Last Minute Amendments

To placate the City, the government introduced two major amendments to the Water Bill at just about the latest possible time. House of Lords report

stage – an abuse which revealed their desperation as much as their contempt for democratic processes.

The amendments themselves did little for the government's attempts to soothe the environmentally conscious Tory voter, since one lifted restrictions on the development of water authority land while the other gave the privatised bodies a year's immunity from prosecution for polluting rivers.

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- **Equal Opportunities**

Opening the door to the massive privatisation of water authority land was always likely to be the crucial sweetener for the City. Water authorities own more than 450,000 acres and it's not just any old land. River banks, lakesides, disused reservoirs now suited to windsurfing – this is the stuff of developers dreams.

As for immunity from prosecution, this was essential if water authority chairmen (yes, they all are) were to be bale to sign flotation prospectuses, an unlawful act if you believe your business is breaking the criminal law.

Pumping illegal sewage

Around 1,000 sewage works are doing just that by regularly pumping sewage into rivers in concentrations which break their own consent conditions – that is the level of impurity allowed in discharges.

So the government is not only relaxing the standards – making lawful what is now unlawful – but also giving temporary immunity, because prosecutions have to be based on the previous year's figures.

For the government, one of the beauties of privatising water is that it finally washes its hands of any responsibility for financing the massive investment needed to clean up the mess.

Having starved the authorities of

Union Action

The Water unions are continuing their campaign against privatisation, a campaign which has built an impressive alliance between them and national and local environmentalist groups and has helped to put 'green' issues on the political agenda.

The industry's non manual workers are increasing City scepticism by rejecting this year's pay offer and balloting of industrial action.

A consortium of local authorities is also organising a dampener by threatening legal action on the eve of flotation, currently planned for November -

Decmber this year. They say the government is planning to pocket the proceeds of assets they have never owned, because when the authorities were set up in 1974, they took over from local authorities who have never been compensated.

For more information about the anti-privatisation campaign, contact Alan Jackson, NALGO 1 Mabledon Place, London WC1H 9AJ. Telephone: 01-388 2366.

The Price of Under Investments

Britain could face prosecution by the EC for flouting standards on drinking water quality and river, sea and beach pollution. Among the problems caused by years of under-investment and cuts are:

- Dangerous levels of nitrates in drinking water; already four years late in meeting EC standards, the government plans to reverse a House of Lords amendment setting a 1993 deadline.
- Lead and aluminium in drinking water is causing brain damage to children and Alzheimer's disease among adults.
- The House of Commons Select Committee on the Environment says rivers are getting dirtier fast – one in five is now biologically dead, and even the best are heading that way. The government's own pollution inspectorate says cutting staff by a third in the last decade, allied to under-investment, is responsible.
- The EC says Britain must stop pumping sewage into the sea – the water authorities' favoured method of getting rid of it. Doing so has caused so much pollution that when Britain registered bathing beaches with the EC – thus opening them up to inspection – the total number was smaller than in tiny land-locked Luxembourg!



"SPECIAL DELIVERY TO ALL HOUSE - HOLDS COURTESY OF THE TEN WATER BUSINESSES OF ENGLAND & WALES."

funds for a decade with an array of financial constraints (which followed five years of damaging cuts by the previous Labour government), the government's message is that privatisation opens the doors to the world's commercial creditors.

Pay More for Less

The 'consumer' (who, in reality, will have no choice) must choose between holding down prices and paying the price of borrowing for a clean-up, says the government. The privatised

companies will be able to pass on the full cost of capital investment through an RPI +K price formula – RPI being the rate of inflation and K being new costs.

If people don't want to pay more, says the government, they should urge their suppliers to pay for investment by charging for access to water authority land, selling off that land and forcing yet more 'efficiency' measures on a dwindling workforce.

The result will be only the loss of nature reserves, rambling terrain, bird sanctuaries and the like, but up to 20 per cent annual price rises for a worse service, while the companies diversify into more profitable ventures than supplying and purifying water.

Still, some people will do all right. If it goes ahead, selling off water will cost nearly £400m in fees to stockbrokers, merchant bankers, lawyers, advertising agencies and other 'advisers'. Think how many beaches that could clean up.

"Housing Action Trusts and the Housing Act 1988"

20 minute cassette tape produced by Deptford Community Radio.

This radio programme, available on cassette tape, covers, in a very clear and concise way, all the key issues for tenants in areas proposed for HATs.

Through a series of interviews with tenants from Lambeth, Tower Hamlets and Southwark and with housing professionals, the programme explains what a HAT is; how HAT areas are chosen; how much say tenants have in the choice; who will run the HAT Boards; how HATs will affect tenants in terms of rent levels, security of

tenure, estate improvements; and how tenants were successful in winning the right to be balloted.

It also talks to tenants in Thamesmead – one of the first examples of privatised council housing – and hears from them what life is like having a private company for a landlord.

HATs are still a live issue. This cassette should prove useful to tenants groups in areas where HATs are proposed, and to anyone working with tenants in a campaigning capacity.

Available from: Deptford Community Radio Project, 21 Parkfield Road, New Cross, London SE14 6QB. Price: £1.50 for tenants groups and £5.00 for funded organisations.

CLEANERS — WOMEN LOSE OUT

Employment, pay and conditions under attack

Cleaning is probably the most vulnerable public service to enforced tendering under the Local Government Act 1988. It is undervalued, labour intensive and most cleaners are women working part-time for low wages. Already thousands of jobs are at risk from the privatisation of cleaning services by many councils as the table shows. Hours and earnings are also under threat, not only where cleaning has been privatised, but in councils where cleaning has been won in-house. Behind the success of some DSO's are cuts in the hours and pay of thousands of cleaners as councils argue the case for 'competitive bids' based largely on price rather than standards and quality of service.

The contractors have been able to pick and choose the councils where they wish to compete. The picture so far is unsurprising. The largest cleaning contractor operating in this country, **Initial Contract Services**, has been the main beneficiary. Initial, which is owned by the multinational BET, has by successive takeovers and acquisitions become the primary competitor for cleaning DSO's. They claim to be Britain's largest cleaning organisation with a staff of over 30,000. They have a poor record of cleaning schools in Dudley and Cambridgeshire and there are numerous examples of poor performance in the NHS.

As the table shows some councils escaped any competition, in others contractors only made bids for small contracts. Some of the most striking results in the first round include:

Oxfordshire CC

The jobs of 1,500 cleaners in Oxon. have been protected following the award of a contract to clean 600 buildings to the DSO. The only competition was from one contractor who tendered for part of the South Oxon. part of the contract. The more worrying fact is that the in-house bid will involve savings of around £0.4m in 1989/90 and £0.6m in 1990/91. Given the high labour content of cleaning this could mean job losses and lower earnings.

CLEANING CONTRACTS AWARDED SO FAR

Local Authority	Awarded to	Annual Value	Known Jobs Affected	Other Tenders
Allerdale DC	DLO	£156,000		
Amber Valley DC	Initial	£58,000		
	DSO	£8,000		
Annandale	DLO	£45,000		
Avon CC	DSO	£4m		none
LB Barnet	DSO			
Basingstoke & Dean DC	ISS Servisystem	£50,000		
Birmingham City	DSO			none
Borders Regional Council	DSO			none
Bristol DC	DSO			
Broadland DC	Thorpe Industrial Cleaners	£12,935		
Cambridgeshire CC	DLO	£3m		
	SBS City Cleaning	—		
Charnwood DC	Office Cleaning Services			
Chatham	Initial	£1m		
Chichester DC	Strand Cleansing Services	£43,596		
Colchester DC	DLO			
LB Croydon	Co-ordinated Cleaning	£600,000		
	Taylorplan	£590,000		
	Ramoneur	£198,000	580	
	Initial	£126,000		
	Superclean	£83,000		
	Lustrebourne	£53,000		
Darlington DC	DSO			none
Derby DC	Hands Cleaners	£42,680		
	Quality Clean	£10,410		
Devon CC	DSO	£6.25m	2,300	10 contractors
Doncaster DC	DLO	£1.9m	1,200	Initial Hall Cleaning Service
East Hampshire DC	Initial			
East Northants	General Contracting Services			
East Yorkshire	DSO			
Edinburgh	DSO	£46,000		none
Fareham DC.	Initial	£20,000		
Essex	OCS			
	Electrolux			
Gelding DC	CCA Contract Services	£28,000		
Gloucestershire CC	DSO	£2.6m	1,300	
	Initial	£0.5m	190	
Kirkcaldy DC	DSO	£0.8m		
Langbaugh DC	Taylorplan		120	DSO
Lincolnshire CC	ISS Servisystem	£1.5m		
Middlesbrough DC	DSO	£0.8m		
Mid-Glamorgan DC	DSO			none
Milton Keynes	Municipal Cleaning Services Ltd.	£83,989		
Norfolk CC	DSO	£1.6m		Taylorplan
	Initial	£1.2m	650	
	ISS Servisystem already hold	£0.3m contract		
Norwich DC	DLO	£300,000		
Nottinghamshire	DSO			
Oxon CC	DSO	£2.7m	1,500	1 contractor
Rotherham DC	Initial			
	DSO			
Solihull MDC	DSO			
	ISS Servisystem			
	Initial			
South Tyneside MBC	DSO	£809,426		
Stockton on Tees	DLO	£188,300		
Surrey CC	DSO	£3.5m		10 contractors
	OCS			
	Servicemaster	£0.75m	270	
	Cleanmaster			
	CCA (office & factory cleaners) Ltd.			
Surrey Heath DC	DSO	£275,000		
Tayside Regional Council	Initial	£6.6m	900	DSO
Vale of Glamorgan DC	DLO	£250,000		
Wakefield DC	DSO			
Warwick DC	DLO			

CONT. FROM PAGE 3



Tayside Regional Council

900 cleaners employed by Tayside are to be made redundant in Dundee. The council (as a result of SNP voting with the Tories) decided to award the contract to Initial Contract Services to clean schools and other premises. There were three tenders for the contract - from the DSO, Initial and Office Cleaning Services (Scotland). The contractors submitted tenders below that of the DSO - Initial £1.7m and OCS £0.5m cheaper. Initial may re-employ some of the existing cleaners but 300 jobs will be lost completely. Even if cleaners are re-employed, Initial will pay them well below the council's £2.59 an hour rate. Evidence from Initial's other contracts shows that they pay on average £1.60 an hour. In addition hours will be cut. These massive cuts will mean falling standards in schools and other council premises.

Norfolk CC

Five cleaning contracts have been won by Norfolk County Services. However, Initial Contract Services have been awarded a 3 year cleaning contract covering nearly half of the council's cleaning worth £1.2m. The 650 cleaners who are being made redundant have been promised jobs by Initial, but they are expected to be for less hours, less pay and to be insecure. Redundancy payments are pitiful - a cleaner on £40 a week with seven years service will receive £425 whether or not she takes a job with Initial. A cleaner with 20 years service will receive a lump sum of £1,100!

London Borough of Croydon

Six cleaning companies were originally awarded 12 contracts in Croydon worth £2m a year. 580 cleaners stood to lose their jobs at the end of July. However, 250 DSO cleaners may have a reprieve as two of the contractors have pulled out - one for insisting on an unacceptable termination clause and the other because they had underestimated labour costs. Five contracts were awarded to Co-ordinated Cleaning although they have no previous local government experience. Co-ordinated have since pulled out of cleaning 53 Croydon schools just weeks after winning their £600,000 tender because the contract did not include a termination clause, enabling the company to withdraw at its own request. The DSO had put in tenders adding up to £1m a year and offering 3,700 hours a week, compared with Co-ordinated's 2,900 hours.

Taylorplan who won 2 contracts to clean 51 schools have no previous experience of school cleaning.

Ramoneur won contracts to clean Croydon college and tertiary centres having put in a tender providing 40% fewer cleaning hours than is currently provided. The company has since pulled out.

Surrey CC

Surrey divided their building cleaning into 21 contracts. 15 of them, worth £3.5m a year have been won by the DSO. Private contractors were awarded the other six contracts (see table). The 'savings' made are expected to be £1.3m (excluding redundancy costs) and 270 cleaners face redundancy.

Erosion of pay and conditions

In councils preparing to compete with cleaning contractors there are some disturbing developments. Powys DC have given 450 school and office cleaners redundancy notices because it wants to re-employ them under new employment contracts. Powys are aiming to make the cleaning service cheaper arguing that cleaners should be paid according to price of tender and shorter hours for cleaners is expected to be included in the new contracts. Strathclyde Regional Council which employs 11,000 school cleaners want to implement a new package which includes 1,100 redundancies. They also plan to reduce cleaners hours from 17.5 to 15 a week in order to make a 'competitive' bid. The cut in hours would bring cleaners below the 16 hour employment protection level.

CONTRACTORS Fines & Failures

Poor quality cleaning in old peoples homes

Executive Cleaning's contract to clean Wandsworth's old peoples homes has been so poor that the Director of Social Services refused to recommend acceptance of their tender for the Day Centre cleaning contract. The tender evaluation report concluded:

"Our current experience of Executive's performance on the Old People's Homes contract also gives cause for concern. Day to day management of the contract and standard of performance has been poor since November 1988, with 48 defaults having been issued in the period 30.10.88 to 14.1.89. Most of these related to failure of staff to attend and poor cleaning standards.

One establishment (Longhedge Day Centre) was agreed to be in a very poor state in October 1988 and the contractor agreed to bring it up to standard by Christmas 1988, but this was not done until mid-February 1989. Additionally, extra requirements such as carpet shampooing, floor stripping etc. have not been performed satisfactorily. Further, Executives stated that they would require the premises to be handed over in an acceptable state and this would, in their view, require additional expenditure which was not included in their tender price."

(Social Services Committee,
Wandsworth Borough Council,
1st March 1989)

This follows hard on the heels of the dismal failure of ARA's catering contract in the old people's homes fully reported in PSA No. 39.

Berkshire Schools in a mess

The County Council has operated a labour only school cleaning contract since last year which has led to a stream of complaints and several school closures. One school, Windsor Boys School, has had to dismiss two firms. Private contractors are supplied through the County's Direct Labour Organisation on a labour-only basis.

The County's cleaning budget is reportedly £.75m overspent because they have been forced to hire agency staff at between £8 - £10 an hour.

(Ascot Express, 28th April 1989)

Management Buy-outs: Special Report

BUY-OUT BUSINESS

The implications for public services: how to oppose them

The future of local government and the quality of public services and jobs is at stake. Is it to be stripped of staff and expertise by the rampant adherence to commercialism, self interest and profiteering? Some managers who for years have cut services and jobs, reorganised and rationalised, adopted commercial/competitive approaches to enforced tendering rather than a public service strategy, all of a sudden have become the great defenders of jobs for 'their' workers.

Recent seminars on buy-outs organised by management consultants have witnessed several local authority managers craving to find out how to set up a management buy-out.

In this special article PSA presents a clear case on why management buy-outs should be resisted and to explain what they really mean for jobs, services and trade unions.

What is a management buy-out?

Usually a handful of managers decide to set up their own private company to tender for the service for which they are currently responsible. Managers become directors of the company and own the bulk of the shares. Local authorities cannot stop officers leaving to join private firms or set up their own business. But local authorities can stop the sale or transfer of entire sections or departments to the private sector.

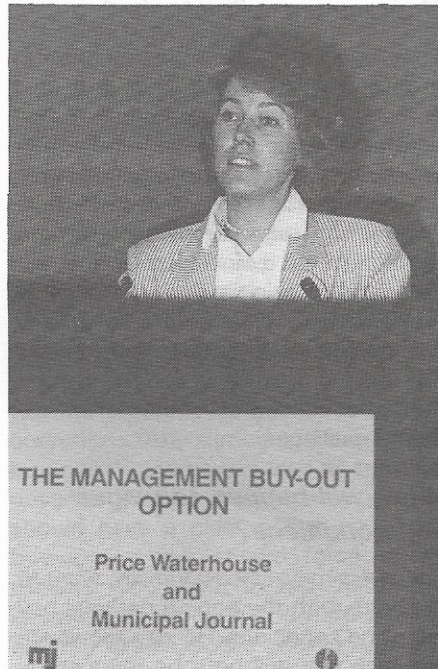
Why should they be resisted?

- they are simply another form of privatisation with a negative effect on the quality of services and jobs.
- they reduce the possibility of in-house tenders being successful.
- the council loses both its client (at least a key part) and contractor sections at the same time which can seriously affect service delivery.
- they mis-use public money and resources.
- they are based on the opportunism of a handful of officers motivated by personal gain.

Can other council workers be involved in ownership of the company?

The buy-out may offer a certain percentage of shares in the new company to other staff or trade unions - in Bath employees have a 15% share stake and two directors. Even with an allocation of shares to employees it is still a management buyout. The important point is not who owns the company but who controls it.

The National Freight Corporation is



the Tories 'jewel in the crown' since it was privatised through a management buy-out in 1982. It is now an employee owned company although the directors have substantial share stakes. But it is corporately controlled, i.e. it is run and managed like any other company by the directors and senior managers. It is worker owned but they do not control the company. Ownership does not automatically lead to control. It is who controls a company, i.e. who sets policies, management practices, pay and conditions, week by week, month by month, which is important.

A management buy-out and an Employee Share Ownership Plan (ESOP) are different. In the former the directors/managers own the bulk of shares and effectively own the company. Under an ESOP the

employees own a large percentage of shares although these are usually controlled by trustees in the early years. In both cases the financial institutions supporting the deal will also have a substantial share stake. We will cover the pro's and con's of ESOP's in a later issue of PSA.

It is important to ask why they want employee involvement - is it your money they are after? Are they genuinely committed to worker involvement, if so, how? Why did they not implement such policies in the past? What has been their attitude and track record towards trade unions?

If there is no alternative, isn't a buy-out better than working for a private contractor?

There are always options and you should never let a situation develop where officers can present a buy-out as the 'only' option. Whose interests are being serviced - the managers who stand to profit, the trade union officials solely concerned about membership who will accept single union deals to mug other unions, councillors who want to get rid of some difficult problems - you can bet the interests of the workforce will be last on the list.

The best option and strategy for direct labour is to follow closely the well documented advice which PSA has covered in past issues developed by SCAT, the trade unions in 'Who Cares Wins', and the various advice notes from the LGIU, AMA, ALA and ADLO.

A management-buy-out will want to expand and will be tendering for contracts in neighbouring authorities. The Bath buy-out is already seeking ground maintenance contracts as far away as Nottinghamshire.

A management buy-out is a private contractor. It must be treated like one from day one.

What does the council stand to gain?

Unless the council is selling large depots or facilities as part of the deal there will be little income, capital receipts, and little reduction in capital spending. The council would still have to pay a contractor for services. The greater the range of services and staff included in a buy-out the greater will be

Management Buy-outs: Special Report

the knock-on effect on jobs in other council departments. A buy-out would effectively privatise work on wages, supplies, repairs, legal and financial advice previously obtained from other council departments. Job losses in these departments would seem inevitable. And unit costs for similar work to remaining departments are likely to rise.

What is the council's legal position?

The local authority is under no legal obligation other than to treat the firm as any other seeking public sector contracts. This approach is essential in order to avoid 'insider dealing', corruption, contract collusion, and misuse of public money.

Buy-outs in Local Government

Names of the buy-out companies are given to assist the investigation of companies seeking contracts.

Bath: Contractor Services Group Ltd. includes building maintenance, cleaning, grounds maintenance, highways and engineering operations. 200 employees.

Bradford: Howat Holiday Ltd. planned buy-out school meals, welfare transport and vehicle maintenance. Only DSO submitted tender for school meals, then buy-out announced.

Birmingham: Civic catering department being sold to staff for £500,000.

Eastbourne: Council set up Eastbourne Borough Services as a trading department in 1984 covering refuse, street cleansing, cleaning, vehicle maintenance, and ground maintenance. Now being set up as a separate company.

Mid Sussex: Planned buy-out of DSO including building repairs, refuse, ground maintenance. 170 staff.

Milton Keynes: Municipal Cleansing Services Ltd. (MCS). Refuse and street cleansing. Single union deal with GMB.

Northavon: Management buy-out of DSO planned.

Salisbury: Management buy-out of DSO planned.

Stratford-upon-Avon: Stratford Services Ltd. covering DSO. Also won Cotswold Council refuse contract.

Westminster: MRS Environmental Services Ltd. Awarded £12.1m refuse and street cleansing contract. 800 employees.

Westminster: City Centre Leisure Ltd. £2.6m leisure centre management contract covering Queen Mother and Seymour centres. 65 employees.

SURE I'LL NOTICE A
DIFFERENCE AFTER THE
MANAGEMENT BUY-OUT.....
YOU'LL GET A 150%
PAY HIKE AND I
WONT!



How secure will jobs be?

They will be no more secure than in local government. The buy-out company will have to continue to win contracts against DSOs and other private contractors. After a period in the private sector the advantages of insider information and local government experience will dwindle leaving them to compete on price terms in the same way as other private contractors. They will be forced to employ contractors hire and fire practices - and there won't be any enhanced severance or redundancy packages.

What will happen to wages and conditions?

Managers may, at least initially, want to continue with the agreed national pay rates and conditions. Holiday allowance and sick pay will both be reduced by the Bath buy-out to match the inferior private sector conditions. Once the buy-out is set up it is a private contractor operating with private sector rules and practice. Any agreement could be torn up. Negotiations would be between the union and the firm. There would be no national negotiating machinery. The local authority could do nothing as long as the contractor continued to provide the required service. Management buyouts may be used to drive down terms and conditions for the in-house tender.

Pensions are another crucial issue. Local authority pensions are index-linked and offer much better terms than those offered by buy-outs. Buy-outs often employ their own pension advisers, e.g. Noble Lowndes, to devise pension schemes, but beware of phoney figures.

What will happen if the buy-out company is taken over by another firm?

The more successful a buy-out, the more likely it will be taken over by a larger company. Private companies can be made offers which the managers can't refuse, and if the company becomes a public limited company, i.e. floated on the Stock Exchange, then other companies can easily acquire shares to mount a takeover. The managers stand to gain windfall profits, the workers stand to lose their jobs through rationalisation.

If a buy-out wins a contract which is 'over-priced' and this is recognised by another contractor, a takeover may be planned giving the managers considerable profits.

Will trade unions be recognised?

Once in the private sector trade union facilities, negotiating and grievance machinery, health and safety issues, will have to be re-negotiated. Many buy-outs start off making overtures and statements about trade union recognition. How many contractors have made the same noises but behaved completely differently in practice? And what was the track record of the managers in dealing with trade union issues in the past? And what happens when the honeymoon period is over?

Buy-outs are also ripe for single union deals. The Milton Keynes buy-out agreed a single union deal with the GMB, and Bath has recognised only the GMB and EPTU to the exclusion of other unions.

Big Business in Buy-outs

There were over 300 buy-outs valued at £4.8 billion in Britain last year. The number of buy-outs has not increased anywhere as rapidly as their average size. The move towards buy-outs grew as many companies decided to sell or close subsidiaries which were no longer central to the parent company's strategy or were not profitable enough. Now buy-outs have spread to entire companies. Magnet, the kitchen furniture group, completed the largest buy-out of a quoted British company in a £629m deal in July.

There have also been several management buy-outs of bus companies and subsidiaries of nationalised industries sold under the Government's privatisation programme.

Management Buy-outs: Special Report

Council firm collapses

Cambridgeshire Information Technology Services Ltd. collapsed earlier this year owing the County Council £382,500 and with the loss of 50 jobs. Set up three years ago to exploit surplus computer capacity and enter new markets, the company failed with total debts of £1.6m. Although the council had made two substantial loans, one interest free, the company failed to raise further private sector finance.

An inquiry concluded that "it is essential that people with experience of competitive operation and with proven marketing skills in particular are in positions of influence from the outset". It also called for contracts with similar companies to be clearly defined and precisely recorded from the start.

What will happen to the in-house tender?

It is vital that an in-house tender is prepared irrespective of a buy-out. If the council refuse to prepare an in-house tender draw attention to the time taken to set up a buy-out, the chances of it failing, leaving the field open to private contractors or possibly not receiving any tenders at all and having to start the process all over again.

The Audit Commission recommend that a local authority should not allow a management buy-out without "putting the work out to competitive tender" because "the authority has no certainty that the deal being offered by the management buy-out team is the best available to it." (Competition: Advice to Auditors, 1988). This must include an in-house tender.

Kensington and Chelsea refused to allow an in-house tender for the refuse/street cleansing contract. Three managers of Engineering and Works Services became directors of Nationwide Waste Management Ltd. but submitted the highest of six tenders at £7.2m annually it was twice the price of the lowest bid. A planned buy-out in Wandsworth recently failed when their leisure centre management tender came in some £400,000 higher than the DSO.

What happens if a buy-out fails to get off the ground?

The officials involved must be replaced. There would be a continuing conflict of

interest and staff morale would deteriorate which would affect services. Quite clearly there would be a conflict of interest if staff from an unsuccessful buy-out were used as client staff to monitor the successful contractor irrespective of whether this was the DSO or a private contractor. Wandsworth Council dismissed officers who had been involved in trying to set up their own companies to bid for contracts.

Which services will be included?

Resist all attempts to include other services which do not have to go to tender yet or those not covered by the Local Government Act 1988. Buy-outs will often want to include a range of services to maximise markets, contracts, and flexibility of labour. The proposed Bradford school meals buy-out also wanted welfare transport and vehicle maintenance.

Should officers stay in post while setting up a buy-out?

It is vital that all officers involved in the buy-out are immediately suspended or forced to take an extended holiday until the tendering process is completed because of conflicting interests. Two officials of the Welsh Development Agency were recently suspended after proposing a management buy-out of the WDA's factory assets and operations. Any rumours of a planned buy-out should be exposed as soon as possible. Ideally, the local authority should have a clear policy opposing buy-outs which should force those officers who want to run their own business to do so in the normal way and not exploit public service workers and public money.

These officers may have normally played an important part in preparing specifications or the in-house tender. Nevertheless, the conflict of interest is so overwhelming that they must be excluded forthwith. The council will

have to draft in other staff or employ sympathetic advisers.

Where does the money come from?

Managers often each contribute between £10,000 - £20,000 to start up the firm which is also used as an indication of their commitment in negotiating loans from financial institutions. The rest of the money comes from banks and firms specialising in supplying venture capital.

DSO defeats Wandsworth buyout but . . .

Wandsworth DSO has defeated a management buyout bid for running several leisure centres. Significantly, the Westminster buyout, City Centre Leisure, and two other firms, Civic Leisure (see PSA No. 39) and Circa Leisure did not submit tenders. The DSO undercut the management buy-out by £420,000 per annum which almost exactly reflects the differing annual income projections.

The management buy-out was used to force concessions from direct labour.

- 14 redundancies — present staff of 152
- 40 hour working week
- reduced overtime rate
- up to 10% deductions in pay for defaults attributable to

What action can be taken if you hear about a proposed management buy-out?

Much will depend on whether there is majority political opposition or support for a buy-out. There will usually be opposition from some councillors, other departments and managers which needs to be consolidated and developed.

1. Ensure your union branch has a policy of opposing management buy-outs in principle and approves a policy of non-co-operation. Buy-outs will be seeking contracts from neighbouring authorities — use regional/divisional trade union committees to make other branches aware.

Similar resolutions and action will be required in the Labour Party — some Labour councillors have already supported buy-outs.

2. Demand all managers involved are at least suspended immediately or forced to take holiday until after the tendering process is completed. They

Management Start-ups

Milton Keynes District Council has encouraged sections or departments wanting to 'go private' and retained management consultants P.E. Inbucon to advise and assess proposals as well as advise on setting up the DSO organisation. It has laid down certain criteria for 'business start-ups' which assume there would be no alternative direct labour tender.

Management Buy-outs: Special Report

ust not be connected in any way with the preparation of the in-house tender, investigation of contractors, or evaluation of tenders. Investigate the possible use of loyalty clauses.

3. Write to other contractors who have been invited to tender telling them of the proposed management buy-out and suggest they put pressure on the local authority to impose stringent procedures in dealing with buy-out staff. The existence of a management buy-out, MRS, was one of the reasons why Westminster City Council couldn't get contractors to submit tenders for its refuse/street cleansing contract last year. Contractor are unwilling to spend several thousand pounds compiling a tender, visiting sites etc. if they believe a management buy-out has access to information which could give them a

4. Inform all council staff to have no communication with the buy-out managers. A buy-out will need a detailed business plan if it is to obtain funding. Try to ensure it obtains only public information.

5. Try to ensure that the buy-out does not use council resources whilst it is being set up. Haringey council has reported that Bath City Council expressed interest in its ground maintenance contract as a DSO but returned a questionnaire as a private listed company, Contract Services Group (Bath) Ltd. It is very easy for senior managers to use and exploit time, facilities, and other council staff to get the buy-out off the ground.

"Authorities should be aware that senior managers involved in buy-outs are likely to spend significant amounts of time seeking commercial and financial advice at the expense of their local authority duties." (Competition: Advice to Auditors, Audit Commission, 1988).

Council staff and facilities exist to provide public services, not as a nursery for company formation. If companies want support they should seek grant aid in the normal way through the local authority's Economic Development department or other government

agencies. They should get no more or less *public* aid than other fledgling companies.

6. Gather evidence of mis-use of council resources by the buy-out and report these to the District Auditor.

7. Make sure there is no deal with the council to provide work or contracts which are not subject to enforced tendering rules, for a limited period to help get the buy-out started.

8. As a new company, a buy-out will have no track record, no experience of operating as a private company, and will probably rely on other council departments for references – Bath has been using Estate Management and Environmental Services. Try to ensure corporate policy refuse to supply such references or that they are highly qualified and thus of limited use.

NALGO is collecting evidence and experience of management buy-outs. Please contact Brendan Martin/Christine Lewis, NALGO, 1 Mabledon Place, London WC1. Tel: 01-388 6684.

Food Poisoning and Contract Caterers

Reports now show that at least a quarter of the 50 million meals served annually by private airline caterers in Britain are hygienically unacceptable, containing excessive levels of bacteria, including salmonella. Food analysts claim that food poisoning is a greater threat to passenger safety than hijacking.

The issue of food safety and the unwillingness of the Department of Health to deal with problems, raises questions for those concerned about the quality of meals served by private caterers now competing for public sector contracts, particularly school meals.

Not surprisingly it is the very same companies who cater for airlines who are now competing for business in the public sector. Trust House Forte (THF), for example, the largest British contractor in airline catering with 40% of the market, also owns Gardner Merchant the largest contract caterer in Britain.

At Heathrow, THF's subsidiary Airport Catering Services Ltd. employs 500 people providing in-flight meals for 120 airlines. Together with the other major catering companies Sutcliffe's, J. Lyons and Co and SAS Service Partner, they also supply most of the public restaurants and canteens at the airport.

All these companies claim that they will bid for few, if any, local authority contracts. However, the establishment of large-scale catering plants around major airports increases the opportunities for firms to diversify still further by bidding for local authority contracts. Sutcliffe's, for example,

ON BEHALF OF CRUDD-CATERERS LTD
I CAN ASSURE YOU THIS IS NOT
FOOD POISONING BUT A CAREFULLY
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CONSPIRACY TO DISCREDIT PRIVATE
CONTRACTORS!



operates a cook-chill plant at Heathrow which works well below capacity despite supplying other local Sutcliffe contracts. The company also has considerable experience in public sector catering in the NHS and schools.

Conditions for workers in these private firms reveals increasing casualisation, pressures on productivity, low pay, poor health and safety standards and disruptive shift patterns. Since BA put in-flight meal preparation out to contract shifts change every 3 days instead of 7 days.

The official report into the quality of airline meals at Heathrow, which was completed in 1986 but published only recently, was prompted by the worst ever single-source food poisoning incident in 1984, where 766 people were affected by salmonella enteritis found in an aspic glaze on hors d'ouvres.

Companies like THF argue that, 'we are continually seeking improvement', and say that they follow the, yet to be enforced, Department of Health guidelines. Despite these assertions food poisoning on aircraft continues and the pressure of the purse means that contractors will only make changes if they are forced to. In the meantime the record of private caterers and the importance of healthy cooking practices will be an essential part of evaluating companies tendering for contracts.

THE EDUCATION REFORM ACT AND LOCAL MANAGEMENT OF SCHOOLS.

EDUCATION — A FUTURE?

The Education Reform Act imposes major changes on the education of adults and children. It also severely threatens the employment of thousands of teachers, school clerks, caretakers, cleaners and school meals workers. This article looks at the implications of one aspect of the act — Local Management of Schools. Future editions of PSA will assess other areas including the establishment of grant maintained schools by opting out of local education authority (LEA) control altogether.

The Act, which is already being implemented all over the country, will shift power from local authorities to individual schools and to the Secretary of State for Education. The legislation, which was rushed through with little consultation, comes on top of shortages of resources and teachers at every level. It suggests the first stage of a plan for the wholesale privatisation of the education system.

As with health and other public services, the Government intend to put schools on a 'business like' footing. The business and financial responsibilities of school governing bodies are likely to be top of the agenda rather than the proper planning of resources across cities and regions to meet the best interests of pupils and staff.

The Act puts forward five main changes:

- devolution of financial management to schools
- the establishment of grant maintained schools
- curriculum and testing
- open admission to schools
- the break up of the education service in London

Local Management of Schools (LMS)

LMS is already starting to have a radical effect on the way schools operate. It creates problems for governing bodies and all staff employed in schools, colleges and education authorities. Many of the ideas for LMS come from a report to the DES 'Local Management of Schools' produced by private consultants Coopers and Lybrand.

By devoting financial powers to schools at a time of reduced resources area-wide funding for education will be very difficult. Individual schools will take the blame for shortages of finance and resources rather than the government.

The Practicalities of LMS

Governing bodies of all schools and colleges with more than 200 pupils will be responsible for their own finances. Delegated funding to governors (most of whom are not trained in financial management) will cover staff salaries, running costs of premises, equipment, books, rent and rates. Initially LEAs will continue to control items including capital expenditure, central administration, inspectors and advisors (Mandatory exceptions) and school meals, structural repairs and maintenance (Discretionary exceptions). The Act states that LEA's will have to establish a formula for the distribution of expenditure on all schools. This will be

primarily based on pupil numbers and ages rather than educational need. Well resourced schools enjoying the best equipment and staff-pupil ratios will receive the same per capita resources as deprived schools which tend to be located in inner city areas. Formula-based funding of individual schools could leave some with only 80% of the money to pay their teacher because the Government's formula makes no allowance for differences in the age and qualifications of teachers. There will be pressure on schools to shed more experienced (and expensive) staff and recruit inexperienced, less well qualified (and cheaper) staff.

LEA's must prepare schemes setting out the full arrangements for LMS by September 1989. Implementation of schemes starts in April 1990 and will be completed by April 1993.

Impact on Employment

Under LMS school governing bodies will have major employer functions and the LEA will only be employer in name. Governors will make decisions on staff numbers, appointments, dismissals, gradings and conditions of service. Established advertising and selection procedures including equal opportunities could be altered or dropped. Employment protection rights could be removed. There will be no right of appeal against dismissal to the LEA with the final decision taken by the governing body.

Governing bodies will be able to vary the mix between teaching and non-teaching staff and other types of school expenditure. With fixed budgets, governors will have to decide whether to spend money on appointing and paying teachers or on other staff such as caretakers and cleaners.



CONT. FROM PAGE 9

Jobs will also be at risk in central LEA departments including personnel, finance, purchasing, works, transport and estate management as powers are devolved to schools.

Privatisation

Under LMS governors will control the letting of contracts for defined services under the Local Government Act 1988. Those initially affected are cleaning, school meals, grounds maintenance, vehicle maintenance, repairs and maintenance of buildings. Schools will be bound by existing contracts already established by the LEA. When contracts expire, governing bodies will then be able to decide whether they wish to continue to use services provided through the LEA in the future and to specify the standard of service they want. It is likely that schools will come under great pressure to use private contractors offering cut-price services. Specialist LEA services such as school libraries will also be at risk as schools will be able to choose whether or not they buy these services from the LEA.

Responses to LMS

The response of LEA's has been varied and includes:

- establishing schemes providing centralised financial and administrative support to governing bodies.
- promoting schemes based on minimum LEA involvement.
- setting up arrangements where schools decide on resources within a framework run by the LEA. One such council is North Tyneside where councillors and officers have taken positive steps to encourage governing bodies to retain DSO services in schools and colleges. For example, for catering the council have assessed the service provided in each school, developed a food policy, met with governing bodies to discuss ways of conducting the tendering process and looked at positive opportunities to develop the DSO service. Advice has been offered to governors on budgeting, service standards and tender options.

A range of material has been produced by the trade unions affected by the Education Reform Act including:

- NALGO's guide for branches 'The Education Reform Act 1988' which includes an action checklist.
- NUT Campaign Pack 'For our Children'.
- TUC Education Briefings which are produced for trade unionists and governors. Available from TUC, Congress House, Great Russell Street, London WC1. Subscription £1.00.

Equal Opportunities and CCT

A major aim of the Local Government Act (1988) has been to stop councils imposing "non-commercial considerations" on the awarding of contracts. Equalities issues are at the heart of this attack on local government and it is not surprising that it is the gains made in this area which are now under threat as councils respond to the challenge of compulsory tendering. In March the first legal ruling was made on a local authority's ability to include contract compliance terms when tendering for contracts.

The judgement was made in the High Court on an application from the Building Employers Confederation (BEC) challenging the legality of the contract terms adopted by Islington Council. The court made a number of rulings, some in favour of BEC and some in favour of Islington, both sides arguing that they had proved their case.

So, what are the implications of the case for those concerned about equal opportunities in local government?

First, the case confirms that areas of good practice in the areas of race relations and health and safety can be incorporated into the tendering process.

Second, the case illustrates that if the needs of all sections of the community, particularly women, are not to be ignored, then we have to look more broadly at the ways in which CCT can be used to systematically incorporate equalities issues into local authority practices and service provision.

Women's Work and CCT

The loss of the sex discrimination clause in the Islington judgement raises the question of how women who make up the majority of workers affected by CCT are not to see their employment rights and conditions eroded. Women employed in local authority services affected by CCT, such as cleaning and catering are the lowest paid sections of the workforce. CCT poses a threat to women in terms of the potential job losses as a result of privatisation. It could also undermine positive action initiatives such as the training and targetting of women applicants to jobs, which in the last few years has afforded them increased access to better paid, skilled manual jobs and to supervisory and management posts. In the private sector, they are unlikely to enjoy any of these conditions or retain the same level of pay.

Islington

Islington's case in the High Court was based on a legal opinion obtained by the ILEA regarding the application of Part 2 of the Local Government Act 1988 to its policy on contract compliance.

This indicated that questions could be asked about contractors' policies on recruitment and dismissal with regard to race, sex and disability, as well as health and safety at work.

As a result of the judgement Islington won the right to insist on a competent, supervised and sufficient workforce. BEC's challenge of the terms relating to racial discrimination was lost in the face of the need to comply with Section 71 of the Race Relations Act.

However, the Sex Discrimination Act includes no such powers and Islington's requirement of contractors to comply with the Act when "hiring and firing" had to be removed.

Islington won the argument that they could include provisions requiring contractors to comply with the law concerning health and safety, and that they could insist on a safety officer for every 300 workers.

Islington also won the right to terminate contracts for breach of (lawful) contract compliance clauses (other than those relating to race equality) and the right to suspend works for breach of such causes including race equality.

CCT – Increasing Opportunities?

The demands of CCT may however, offer some opportunities for change that previously would have been very difficult to implement in many local authorities. Its effects are in some senses contradictory; on the one hand threatening gains made in terms of equal opportunities whilst at the same time forcing councils to evaluate employment opportunities for all workers which could potentially help initiate positive change. This is particularly true in those authorities who are working in partnership with trade unions to ensure the competitiveness of DSO's in the tendering process. As CCT has its impact, trade unions are having to put more time and resources into organising workers previously seen as marginal to the trade union movement. This can only benefit women workers.

● **Pay** – In competing with private contractors DSO's need to reassess payment systems. CCT may allow the opportunity to develop fairer, more systematically determined payment systems which take into account wider corporate objectives and DSO requirements. This includes the need to ensure adequate payment levels to retain staff, analysing the possible benefits of varying systems of pay, including performance related pay, where for example, this might mean all staff benefitting from and being involved in establishing the system, ensuring systems are simple and cheap to administer, and acknowledging the need to move to monthly and cashless pay.

● **Work** – CCT highlights traditionally ghettoised women's work areas, such as cleaning and catering. For the first time emphasis is being put on budgets, staffing, pay, conditions, productivity etc. It is also recognised that competent management and skilled staff are needed if DSO's are to be successful.

● **Service Delivery** – CCT raises equalities issues related to service delivery in terms of the need to ensure that the needs of users, are taken into account in the specification process. Reviews of existing services could be made to reflect the needs of black and other ethnic minority communities, an ageing population and women. Women's needs, for example would have to include an accurate assessment of their current housing, employment and caring responsibilities. Local Authorities need to explore the different ways in which they can consult users for this purpose.

● **Recruitment** – CCT could provide the opportunity to question existing personnel practices and procedures. What is now demanded are procedures which are cheap, fast and flexible as well as equitable, particularly in terms of staff recruitment. Ideas for this might include looking at pool recruitment methods, whereby a pool of people could be developed and called on for either temporary or permanent jobs; developing pre-entry recruitment positive action schemes in colleges offering basic and supervisory skills etc. and attracting skilled staff by offering training to encourage staff promotion potential.

● **Health and Safety** – Given that health and safety remains under Council control it is important that these issues are included in contract documents, specifications and monitoring. Issues with an equalities dimension include providing guidance to multi-ethnic/ transcultural services such as catering, and tackling sexual and racial harassment of public and staff.

● **Costs** – A major concern in terms of CCT and equality issues is the question of costs. These have to be viewed in terms of the authorities overall aims and objectives and

statutory responsibilities, such as equality, equity and quality in service delivery. Equality costs are therefore reflected in central establishment charges as well as in service based costs. Service based costs largely relate to recruitment, employment and training practices. They may also increase where in order to develop an equal opportunities service, specifications require extra work or a wider range of provision.

● **Equality Units** – In order for equalities work to be effective in the face of CCT new approaches to work with departments need to be developed. This might, for example, demand first targetting client departments affected by CCT and then identifying the necessary knowledge and skills they might require, such as providing equal opportunities access, recruitment and training programmes and packages. Training for groups of workers to be affected by CCT has been an important initiative developed by equalities units.

● **Tendering and monitoring** – Equal opportunities issues should be incorporated into the drawing up of tender specifications. This would involve ensuring that experienced staff are available to do this work and that contracts are effectively monitored once awarded.

WE'RE NOT FOR SALE

An A19 Film and Video production for BBC Television.

"No talk about giving us a vote. They were just going to take the houses off us without talking about it or any say."

This 29 minute colour video examines the controversial Housing Action Trust proposals and charts the way in which tenants in Sunderland organised successfully on the four designated estates to win the right to a vote on the future of their homes.

Concentrating on interviews with tenants activists from S.T.A.N.D. (Sunderland Tenants Action - No Dictatorship), the leader of Sunderland council, a local estate agent, HAT advisers to the DOE, and with clever useage of TV footage of Thatcher, Ridley, Heseltine, Lord Caithness, and Clem Atlee (!) the video manages to clearly spell out the political motivation behind the Government's declaration of HATS - "The goal being successful transfer to the private sector." (Consultants survey report commissioned by the DOE.)

Nicholas Ridley's description of the 4 estates as being some of the worst housing in Britain, with high crime rates

and high levels of vandalism, is repeatedly refuted by local tenants and residents who talk about their close knit communities, good local facilities, and the £25m worth of improvements and redevelopments carried out by Sunderland council over the last 5 years. As one tenant says: "you've got more faith in the council because you've got more comebacks with them."

The video is lively to watch and is a useful campaigning tool showing how tenants organised and the various tactics they employed from July to November last year when they, along with tenants in other HAT areas, succeeded in winning the right to a ballot over the future of their homes. The video complements the Deptford Community Radio cassette tape (also reviewed here) which gives a more factual explanation of HATs and what the legislation means for tenants. The two could be used together to both inform on the facts and encourage local campaigns.

Available on VHS from A19 Film & Video, 21 Foyle St., Sunderland, SR1 1LE. Tel: 091 565 5709. Price: Statutory organisations £40.00 plus VAT, Individuals and Community groups £16 including VAT.

MONITORING THE COUNCIL HOUSING PRIVATISERS

NALGO and SCAT are jointly establishing a national information database for use by trade unionists and tenants groups on who the new landlords are that are applying to take over council housing, be it under the 'Tenants Choice' section of the 1988 Housing Act, through Voluntary Transfers, or Housing Action Trusts.

The database will hold information on developers, private landlord companies, consultants, building societies, housing associations, finance houses and any other bodies involved in the privatisation of public sector housing. It is hoped that the database will amass information covering details such as their structure, ownership, financial records, their policies and past practices both as landlords and employers and their current activities and plans. There will also be information on any trade union and tenant campaigns in local areas fighting housing privatisation. NALGO and SCAT intend that information from the database will be accessed by and prove useful to joint tenant/trade union

campaigns in their battles to retain and improve homes and jobs within the public sector.

The project is based at SCAT's new Sheffield premises. A worker has recently been appointed to set up and run the database which should be functioning within the coming months. Information on predatory landlords is currently being gathered from a range of sources. If readers have any knowledge or experience of landlords applying to take over council housing in your area then we would like to hear from you.

Contact the NALGO/SCAT landlord database at SCAT, 1 Sidney Street, Sheffield S1 4RG. Tel: (0742) 727484. Fax: (0742) 727066.



FIRST LANDLORD APPROVALS

The first Housing Associations to become 'approved landlords' were announced at the end of June. A further ten are set for approval next month.

The first two are the *Bournville Village Trust*, which manages over 3,500 homes in the Midlands, and *Network Housing Association* (formerly Brent Peoples' Housing Association) which has over 4,000 units in North London. They were both given approval by the Housing Corporation to work within their areas.

Both say they want to work in co-operation with councils, but neither has any specific projects ready at present.

The first body to gain approval as a landlord under the 1988 Housing Act's 'tenants choice' provisions was *Walterton and Elgin Community Homes Ltd.*, a company set up by local residents with massive support on two Westminster estates after a 3 year battle to save their homes from the clutches of private landlords.

HEALTH MATTERS

This is a new magazine dealing with the critical issues affecting health in Britain. Written and produced voluntarily by journalists and others directly involved in health, the magazine is readable and of immediate appeal. It contains a variety of short and feature articles of use and interest to many trade unionists and community groups. The first issue includes material ranging from water sell-offs, the implications of the NHS White Paper and international issues.

Published by Health Matters, 344 South Lambeth Road, London SW8 1UQ. Subscription for 6 issues £7.50 ordinary, £15 institutions, £25 founder subscriber.

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