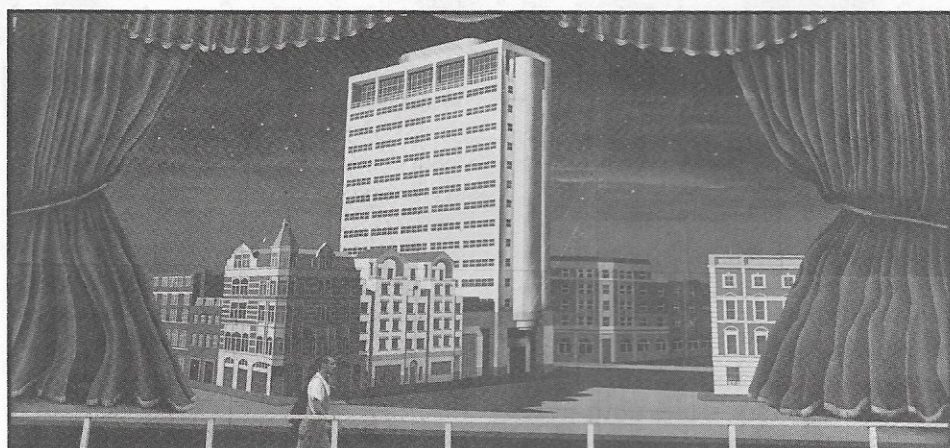


# PUBLIC SERVICE ACTION

Incorporating Community Action No. 46 February 1992

## The Privatisation of Life in Towns & Cities

# URBAN MANAGEMENT plc



The recession is pervading peoples' everyday lives. But it is important not to blame the recession for everything. We have to distinguish between the Government's role in helping to create and sustain the recession and its policies for the public sector and the welfare state. The deteriorating condition of the infrastructure - schools, hospitals, roads; cuts in services, increasing rents and charges, are all the direct result of specific Tory policies. The 1980s were significant for the billions spent on transferring ownership which contributed nothing to new housing, improved water quality, or better services.

Innovation in new and better public services is stifled by desperate attempts to keep existing services running and finding ways of absorbing budget cuts. Responsibility for urban regeneration and local services is increasingly the prerogative of unaccountable, unelected bodies dominated by business people.

In effect we are witnessing the systematic privatisation of our towns and cities - the ownership of land and property, the provision of services, and democratic control of local public institutions are being sold, contracted out and transferred to the private sector.

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- **Special report:**  
**Privatisation of life in cities**
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- **What future for the Civil Service**
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- **Local Government Bill Criticisms**
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## Competition and tendering

Whilst public bodies have traditionally had to compete against each other for Government grants and to attract industrial development, the Government has ruthlessly extended competition at the same time as imposing cutbacks and centralising decision making.

## Competitive tendering and the contract culture

The Tories renewed focus on contracting out started with housing repairs and highway maintenance in 1980, extended to NHS support services three years later and other local government services in the latter half of the decade. Contracting out in the Civil Service and other public bodies also gained momentum. Another Tory

*Continued on page 2 ►*

## Special Report

In this special article we have attempted to highlight the accumulative impact of competition, tendering, transfers and opt-outs, deregulation, privatisation, and commercialisation which are being enforced right across the public sector. The scale and intensity of change in each part of the public sector often makes it difficult to fully understand what is happening across the sector as a whole.

Photo Credits  
Philip Wolmuth



government will expand tendering and contracting out (where services have not been terminated or hived off to the voluntary sector) across virtually all services. Many public bodies are likely to become mere shadows of their former functions, the 'enabling' and 'regulating' roles are already being widely and uncritically adopted. The 'vision' of the 'contract city' - the developers and contractors paradise - is looming upon us.

### Regeneration by lottery: Inner City policies in the 1990s

Following the first round of City Challenge in which the 11 'winning' local authorities received five year government regeneration funds the lottery has been extended to all 57 urban priority areas. Twenty 'winners' will receive £37.5m over five years. From April 1993 more than a quarter of the annual £800m urban programme funding will be allocated on a competitive basis. Under City Challenge each authority chooses an inner city area in which public, private and voluntary sectors work in partnership to tackle employment, training, housing and other local issues.

But City Challenge is not new money, it is sliced off existing urban programme and housing funds. It is not inflation proof and at present there is no capacity to vire between financial years. Councils not chosen will lose badly-needed urban programme funds.

Many of the 'winning' local authorities were penalised throughout the 1980s by rate capping and Poll Tax capping induced spending cuts far larger than the funds received through urban programme.

It is yet another competition where only the Government knows the rules - no criteria have ever been published on how the 11 first round 'winners' were selected. This contrasts with the CCT rules which the Government constantly changes or reinterprets the rules in the interests of the private sector.

The City Challenge competition between local authorities is resulting in a much larger proportion of funds being consumed by professionals - council officers, consultants, and public relations as authorities 'compete' with glossy reports, videos, and even helicopter rides, at the expense of the inner city poor.

Some officers question the opportunity costs - officer time and resources could be used more directly and effectively on other projects. Competition cannot justify itself - resources can be used in other more effective ways.

### Meeting housing needs by competition

Competition has been installed in the allo-



cation of Housing Investment Programme funds - now only 40% will be allocated according to the needs index and the remainder by Ministerial discretion. Local authorities compete by showing the extent to which they are prepared to implement government policy to involve housing associations and the private sector. There are no published rules. Proposals to contract out housing management are expected to be announced shortly. The Estate Action programme (grants to refurbish run-down council estates) is also used to force local authorities into implementing government policy to achieve tenure changes and expand the role of the private sector.

Housing associations are also being forced to compete for grants. The Housing Corporation's Housing Needs Indicator, used to distribute grants to regions, will be 'less central' in 1992.

### Voluntary sector contracts

Many voluntary organisations are financed on a contractual rather than a grant basis. Whilst this has positive elements in so far as it places greater emphasis on defining the level and quality of services provided it also leads to less flexibility and draws voluntary and community organisations into the contract culture. Some local authorities want to hive-off many community care responsibilities to voluntary organisations

and have a vested interest in promoting competition and a 'contract culture'. A Home Office report in February 1992 encourages the voluntary sector to take over services and responsibilities from local authorities.

### Transfers and opt-outs

Urban Development Corporations (UDCs) and Housing Action Trusts (HATs) geographically privatise parts of cities subject to regeneration whilst Training and Enterprise Councils (TECs - and LECs in Scotland) take many training and employment services out of direct local authority control. The enforced transfer of waste disposal operations to arms length companies or full privatisation is another example. Schools opting out and the transfer of Polytechnics and further education colleges represent further fragmentation of democratic accountability and comprehensive public services.

There is a loss of accountability as these organisations are run primarily by business and professional appointees to unaccountable boards. Contracting out increases because these organisations do not have direct access to the full range of technical and professional advice usually available in local authorities.

Eleven Urban Development Corporations were set up to circumvent local authority

### The key components

**Competition:** either without rules or they are regularly changed to suit private interests.

**Internal markets:** NHS and Civil Service and starting in local government.

**Trusts and arms length companies - opting out:** NHS, housing, schools, residential homes, and planned for museums, galleries and art centres. Arms length companies for waste disposal and City Challenge.

**Competitive tendering or market testing:** Extensive in virtually all manual work and extending to professional, technical and corporate services across the public sector.

**Privatisation:** sale or transfer of assets and services to the private sector.

**Deregulation:** reducing controls and allowing private firms to supply services.

**Financial constraints:** spending cuts, increased rents and charges.



## The impact on cities

- fragmentation and marginalisation of local government, the NHS and Civil Service
- larger sections of towns and cities under private ownership and control
- loss of democratic control and accountability
- services designed and operated primarily for business and private sector interests
- allocation of resources by competition and public relations rather than social needs.
- fewer, poorer quality public services
- fiduciary duty abandoned or redefined as public money is widely used to subsidise and finance a labyrinth of private firms and private services

involvement in inner city regeneration. Although the UDCs were recently told to prepare for winding up by the mid 1990s a new UDC in Birmingham was announced in January 1992. The Birmingham Heartlands UDC is 65% owned by five construction companies including Bryant, Tarmac and Wimpey.

The privatisation of housing has escalated since 1979 with entire stock and estate transfers following hard on the heels of tenants right to buy. By February 1992 nineteen councils had won ballots of tenants to transfer their entire stock (a total of 94,660 dwellings) to housing associations. The Government has deliberately channelled resources to housing associations whilst starving local authorities of cash. Another Tory government will virtually terminate municipal housing by forcing entire stock transfers whilst the Right want to go even further and privatise housing associations.

## Commercialisation and internal markets

### Civil Service

The Next Steps programme of 'reform' of the Civil Service has led to the creation of fifty six Agencies employing over 200,000 staff by October 1991 with a further 20 Agencies in the pipeline. Their purpose is to separate the executive from policy functions. The 'next steps' could be to operate a trading fund, then corporatisation followed by privatisation. Government departments and agencies have increased the range of support services contracted out and the Government's 'Competing for Quality' White Paper proposes extending market testing and contracting out to professional and specialist services, executive and clerical operations, office services, estate and construction services. Several organisations have been privatised with others such as the PSA planned.

### Market forces in the Health Service

Competition has been fervently applied in the Health Service with the establishment

of an internal market and enabling hospitals to opt out of direct NHS control. Despite all the denials the NHS is being commercialised as a necessary prelude to privatisation.

### Privatisation

Competition, internal markets, contracting, and opting-out have preceeded or sub-



stituted for full privatisation. This has included the sale of publicly owned land by local authorities, NHS, nationalised industries together with council house sales. Basic utilities such as water, gas, electricity, and telecommunications are now privately owned with the railways, post office, coal and others now being prepared for sale.

The 1990s could be similar to 1980s in which billions of pounds was spent merely changing the ownership of nationalised industries and public assets with no real gains to the economy. Growth in 'third sectors' such as housing associations only occurred because the rules were deliberately stacked against and money was channelled away from the local authorities.

### Deregulation

Deregulation - reducing state controls and regulations and allowing private firms to compete for services was extended from

telecommunications to bus services.

Deregulation of rent controls and Business Expansion Scheme tax perks have attempted to revive private rented housing.

## Who Manages on whose behalf?

### More Centralised financial control

Local authorities in particular have suffered a loss of functions, finance and some existing powers whilst a stream of new legislation has increased their statutory duties. First rate capping and now the universal threat of poll tax capping has led to substantial budget and service cuts in many councils. Meanwhile, the attainment of quality, or at least to claim it, has become a political priority. 'Total quality

management strategies' are all the rage. Whilst the quality of services and management are vital issues they cannot be used to hide the long term damage to public services metered out over the last 13 years.

### Quality Management

Despite the almost universal allegiance to quality management there remain many superficial initiatives. Quality is often used as a cover to restructure and reorganise with the same old motives, the same winners (regarding of senior staff) and losers (clerical and manual staff). The quality of a service can only be marginally improved in the context of dwindling financial resources. Charters, kite marks, complaints systems should be a basic element of all services, public and private.

But people are concerned about the quality of the core service - the condition of schools and the quality of teaching; comfortable reasonably priced rail services



departing and arriving on time; and so on. The real quality of services can only be based on the level of resources, standards, organisation, and management linked to freedom of information and legal rights, not on superficial measures which mainly benefit the middle classes (and government public relations most of all). Quality of service is intrinsically linked to the availability of resources and the quality of employment and should be prioritised in relation to meeting social needs.

### The Heseltine vision

Michael Heseltine, Secretary of State for the Environment, used a recent Surveyor magazine centenary lecture to explain his vision of an enabling authority. He wants to free local authority professionals from getting 'bogged down in detail' to concentrate on visionary ideas and innovation. He claimed that 'enabling was not about reducing the local authority to the opener of annual contract tenders. Enabling is about freeing local leaders from the pressures of managing vast municipal undertakings. It is about allowing them to manage their cities; allowing them to be innovative.' The monstrous Dockland's Canary Wharf epitomises the Heseltine 'vision' - where 'not getting bogged down in detail' meant ignoring local needs and jobs.

### But who regulates and who monitors

Local authorities are being required to increasingly regulate and monitor the provision and **delivery of services**, for example, community care, but at the same time are being forced to relax controls over **development**. They intend to commercialise and privatise the regulators by encouraging private agencies, for example, in building control.

But many local authorities are not monitoring their own services effectively let alone taking on the more arduous task of regulating and inspecting the private sector. The Government's own record of regulation of financial institutions, privatised utilities, the health and safety inspectorate and so on is a chronicle of understaffing, weak regulations, and exploitation by the private sector. We require greater confidence and reliability of the work being done right in the first place, for example waste disposal, rather than face the consequences of the almost inevitable environmental and health damage caused by contractors.

### Business in the community

Not surprisingly business interests sense a new era in corporate community involvement: "Whilst philanthropy remains an

important motive for business, there is growing recognition that **corporate community involvement, if properly conceived and managed, creates direct business benefits**. These include expanding the business, building the people and creating freedom to operate." (Business in the Community - their emphasis).



## THE PRIVATISATION OF LIFE IN CITIES

**1. These policies are accelerating the privatisation of towns and cities, not only of public land and services but democratic institutions.**

UDCs, TECs, LAWDCs and other arms length companies lead to a loss of direct political control and accountability whilst opening up further opportunities for private business involvement in public policy and public spending decision making. Proposals for regional government will be less relevant unless we simultaneously reclaim public control at the local level. Otherwise regional government could produce another layer of unaccountable organisations whose primary role is the furtherance of business interests.

**Who controls our towns and cities?** Are all basic services such as health and education, arts and culture, housing, recreation and leisure, to become entirely ruled by market forces?

**2. Service delivery by private companies** together with a reduction or termination of some services whilst others are hived off to the voluntary sector.

**3. A Contract culture is growing rapidly across public sector** leading to widespread commercialisation. Competition and contracts increasingly defining services.

**4. Fragmentation of trade unions and community/voluntary sector.**

**5. Individualising needs and responsibilities**, treatment of users as individual consumers and purchasers of services whilst trying to stifle collective identity and action. User views and needs are increasingly gauged by complaints hot lines and simplistic market research.

## Proposals for change

The following proposals indicate the type of changes which are needed.

- ☐ the development of new public service principles and practice.
- ☐ renewed emphasis on innovation with public service training and involvement of staff and users
- ☐ the termination of City Challenge and other policies where competition is used as a primary allocator of resources and development of new needs and performance criteria.
- ☐ the replacement of compulsory competitive tendering and internal markets by service level agreements and negotiated contracts.
- ☐ new strategies - not simply to stop, refuse to implement or replace Tory legislation and policies but to develop a radical programme to enhance, improve and expand the public sector.
- ☐ emphasise that there **are** alternatives to contracting out, City Challenge, internal markets and the enabling role: new strategies and approaches are needed in the public sector but innovation and initiative can best be maximised by genuine attempts to involve and build on the strengths of users, community organisations, staff, trade unions, and the private sector - not by imposing competitive bidding.



# What Future for the CIVIL SERVICE ?

There are two conflicting views of the future for the civil service. The National Union of Civil and Public Servants recently published proposals outlining the union's view of the changes made to the civil service to date and an alternative based on a unified civil service which has increased accountability, provides higher quality services and is adequately funded. By stark contrast, the Government published in November 1991 'Competing for Quality' with ideas for central government, the NHS and local government which set out proposals to contract out and privatise services on a massive scale.

## Union plans

The report 'The Civil Service towards the Twenty First Century' analyses the changes made to the civil service since 1979 and the most important reform - the 'Next Step' report.

The specific recommendations contained in the union report include:

- \* a halt to the agency programme
- \* an increase in funding to pay for improved services
- \* commitment to the principle of a national career Civil Service
- \* the return to the Civil Service of those areas contracted out to the private sector, such as cleaning, security guarding and computer services
- \* an increase in investment in pay, staff levels, career development, accommodation and equipment
- \* a review of Civil Service organisational structures and functions involving staff through their unions and service users with the emphasis on the provision of a high quality service
- \* the adoption of marketing strategies to publicise the availability of departmental services
- \* greater opportunities for administrative staff to acquire professional qualifications
- \* simplification of departmental procedures in order to make the Civil Service more 'user friendly'
- \* better publicity to users about the range of services offered by departments and how to go about using them, the implications of current legislation, the divisions of responsibility between one government department and another, and between government departments and local authorities
- \* a system of involvement of staff (through the unions) and service users in setting, monitoring and improving quality of service measures.

The report, which is part of an attempt to get the issue of public service quality on the agenda, is being discussed in the union and used by District Committees to lobby MPs.

## AGENDA FOR THE FUTURE

The Civil Service  
towards the  
Twenty First Century



## Government proposals

The Government's Citizens Charter and recent report 'Competing for Quality' contain clear plans working directly against many of the unions intentions, although the remit of improving the quality of the services is said to be the underlying aim. The Government argues that quality will be improved by 'testing the market' in terms of value for money. This is clearly contradictory to a view of quality which argues that quality services can only be achieved through the involvement of the workforce and users and through directing resources into investment in training and equal opportunities.

The main theme for central government in the White Paper 'Competing for Quality' is of increasing contracting out and privatisation of services. Proposals include:

- \* Setting targets for testing new areas of activity in the market, to see if alternative sources give better service and value for money
- \* Targets will be informed by studies undertaken with private sector help to determine the most promising new areas for market testing and contracting out.
- \* Departments which achieve savings through market testing and contracting

out will be able to apply savings for the benefit of their programmes

- \* There will be a new Public Competition and Purchasing Unit, based in the Treasury, which will promote the programme set out in the White Paper

- \* Departments will welcome suggestions from private companies on areas which might be suitable for contracting out

- \* Government agencies providing services to departments should be treated on the same basis as private sector contractors.

- \* In the case of new services, the Government believes there should be a general presumption in favour of contracting out, subject to management or policy requirements and relative value for money.

The White Paper concludes the section on the Civil Service by identifying a whole range of new areas which can be opened up to competition, closer to the heart of government. *'Departments, Executive Agencies and non-departmental public bodies need to test the scope for a greater private sector contribution to the delivery of, for example, clerical and executive operations, specialist and professional skills, and a wide range of facilities management approaches'*

Meanwhile, the Government is busily drawing up charters for parts of the Civil Service which will set standards without acknowledging the role of employees and trade unions in achieving any improvements in quality.

'The Civil Service towards the Twenty First Century' is available from the National Union of Civil and Public Servants, 124-130 Southwark Street, London SE1 0TU.



The planned White Paper on the privatisation of British Rail has suffered a number of delays and now seems unlikely to be published before the general election.



## The case against

# PRIVATE PRISONS

The Government is intent on extending private management of prisons. The Tories election manifesto is almost certain to include proposals to extend contracting out of prison management and operation to complete design, build and operate contracts.

The security firm Group 4 has already been awarded the contract for the Wold Remand Prison, Humberside, and the Blakenhorpe, Redditch contract is out to tender. Privatisation is creeping into other law and order functions such as the movement of prisoners between courts and prisons, the ports police, and police support services.

The privatisation of prisons raises many fundamental issues which are summarised below. Private interests want to limit the debate to costs and contracts. In reality there are moral issues concerning the role of the state to formulate and administer justice.

### Public and state functions

The transfer of complete responsibility for prisoners to a private contractor is quite different from a public prison service using private firms for specific services not otherwise available in-house. It introduces a new dimension between an individual prisoner and the state. We share a collective moral responsibility to ensure that the deprivation of a persons basic liberty coercively as punishment for a crime (or reasonable suspicion of) and their subsequent treatment, is a function of government and cannot be discharged or handed on to others. A US study concluded: 'The administration of prisons and jails involves the legally sanctioned exercise of coercion by some citizens over others. This coercion is exercised in the name of the offended public' with the police, judges, and prison officers representing 'the inherently public nature of crime and punishment.'

The formulation and administration of justice is a long held function of the state and must remain so. If a moral argument can be sustained for private prisons then surely it can, and will, be made for the privatisation of other parts of the criminal justice system ie privatising the police and courts.

### Efficiency is not the central issue

Efficiency is secondary to the legal and moral requirements of treating prisoners humanely and equipping them with skills and qualifications to increase their opportunities on completion of their sentence and minimising returning to crime. Containing the cost of the criminal justice system to taxpayers is important but this must take second place to reducing crime and achieving fair treatment of those detained and imprisoned.

### Private interest in public justice

Private firms will form an increasingly powerful vested interest group whose sole interest will be the maintenance of high occupancy levels in prisons with a steady stream of prisoners (maximising their economies of scale and facilitating cost comparisons) and expansion of the 'mar-

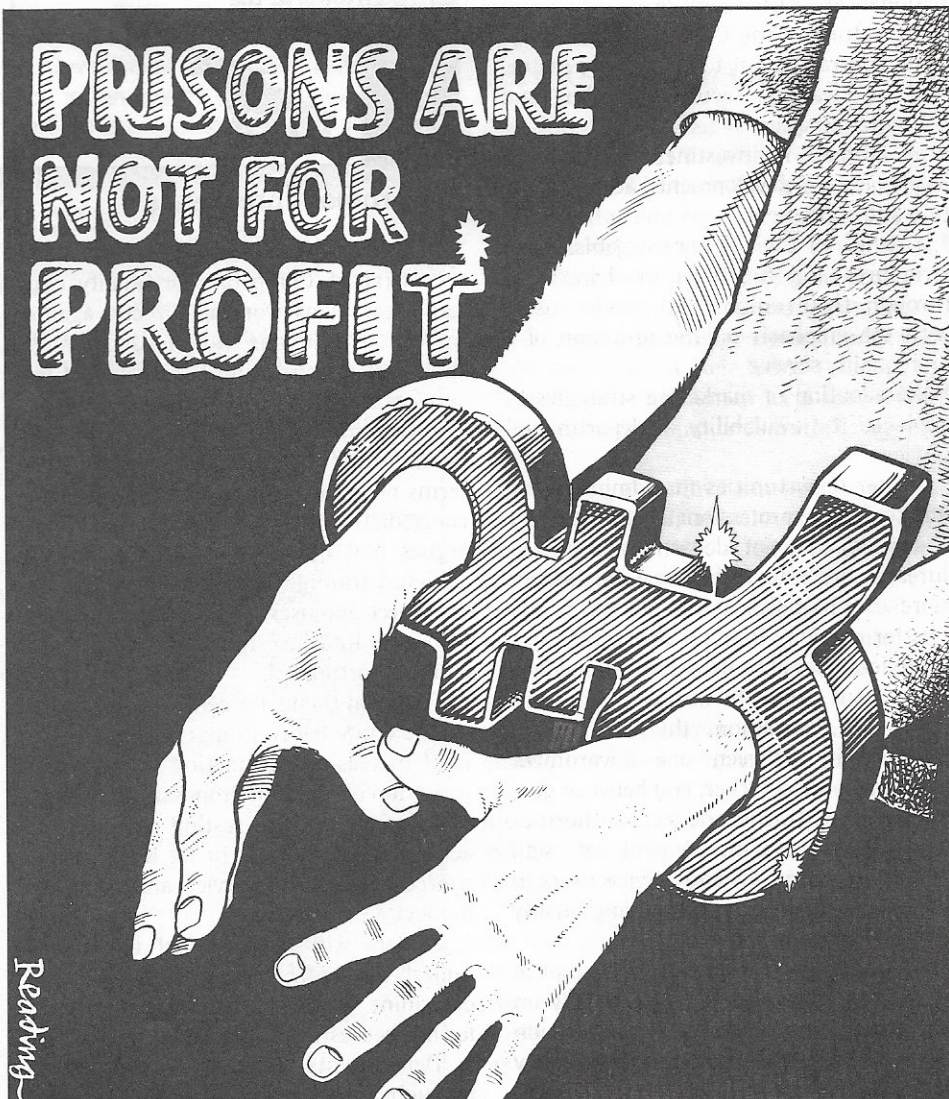
ket' (private firms will continuously seek new contracts). They will also increasingly have a view (although not expressed directly and publicly) on the different profit levels achieved in different types of prisons and remand centres. Hence there will be a link between the profitability of prisons and sentencing decisions by the courts. Lobbying by these private vested interests could impact on prison service policies, reform campaigns, and criminal justice policies generally. The situation is also wide open to corruption - magistrates and judges will be vulnerable to influence by private prison interests.

### Privatisation will not solve prison overcrowding

Contracting out prison management will have no effect on the problem of overcrowding in prisons or the length of time prisoners are held on remand.

This can only effectively be achieved by increasing and/or speeding up the new prison and remand centre building programme. The Tories favour design-build-operate contracts with private firms. However, reducing delays and costs are achievable within public sector control given the existing level of private sector involvement in design and construction work.

**PRISONS ARE  
NOT FOR  
PROFIT**





## Two tier system

Privatisation will create a two tier prison system from the outset. Firstly, contracting out is focused on remand, juvenile and low security prisons leaving the high security prisons for long term prisoners in the public sector. Secondly, the private sector will operate new facilities leaving the old, decaying and overcrowded facilities in the public sector. This will invalidate comparisons between public and private provision although this is unlikely to deter the Tories and the contractors.

## Little evidence of 'savings'

There is no evidence that private contractors will achieve cost savings. There are many examples in the US where the use of private contractors has increased the overall cost of prisons. Research in the US has shown that the adoption of 'modern business methods and technology' by contractors offers no better promise of creating humane and effective prisons than public provision. Firms have not been able to produce the advantages claimed, a common pattern with contractors.

## How do contractors achieve competitive edge?

Competition between private contractors will primarily be on the basis of costs. Since labour costs represent about 60% of total costs it is clear that contractors will seek 'competitive advantage' by reducing staffing levels and/or wages and conditions. If savings are not achieved by cutting jobs, wages and conditions or the quality of care of prisoners then how are they achieved?

## The effects of cost cutting

Reducing staffing levels and/or quality of trained staff in prisons will have major repercussions for prisoners. Exercise, education, visits by relatives, rehabilitation and work, health care and quality of food are highly dependent on staffing levels. Cost cutting has major implications for prisoners rights and prison conditions and can lead to mistreatment, increased stress and violence in prisons. Increasing surveillance equipment does not contribute to any of these matters. A preoccupation with cost cutting could lead to brutality and inhumanity in prisons. Various official investigations both in the US and Britain have called for improved training, recruitment, better staff-prisoners ratios and conditions for staff - the very area most susceptible to contractors cuts.

## The high cost of monitoring

Experience in the US has shown that the 'client' side costs of monitoring and evalua-

tion are very high. Monitoring private prisons is quite unlike monitoring other services.

There is a danger of extremes - the state developing another layer of surveillance in monitoring the contractor who in turn surveils prisoners or alternatively low level monitoring which is ineffectual.

How do customer care policies and complaints systems operate in the prison service?

There is no evidence that regulation of privately operated prisons will be any more effective than the regulation of private nursing homes.

## Legal responsibilities

Contracting out and the client-contractor relationship could lead to major legal disputes particularly over the liability for care of prisoners, injuries sustained in disturbances, illegal punishment, health care, civil rights, damage to property, and so on.

## Accountability

The accountability of the prison service is vital to maintaining civil rights and improving the treatment of prisoners.

Division of responsibilities between client and contractor are not appropriate to the prison service - it can only lead to legal and political wrangles in which the interests of prisoners and staff will be secondary.

The maintenance of standards and proper monitoring must also be fully accountable.

## Profit from punishment

If we allow the profit motive to become the main motivation for an important part of the criminal justice system then the case for direct public provision of health care, education, as well as public safety and the judicial system itself will be seriously undermined.

## Trade union rights

Finally, the Government is intent on weakening effective trade unionism by facilitating the growth of non-union, untrained, and poorly paid private contractors.

The state Prison Service was barred from tendering for the Wolds contract. The track record of private security firms is abysmal (see PSA No 43).

This can only lead to industrial relations problems and further conflict within the prison service.

## Joint Union Campaign

Further information from:  
Harry Fletcher, National Association of Probation Officers, Tel 071-223 4887.

# More News

## FIRST HAT TRANSFERS STOCK

Kingston-upon-Hull DC has transferred 2,100 homes to the first Housing Action Trust, North Hull HAT, in a £6m deal. The average price was less than £3,000 per dwelling. An agreement under which the council manages the homes terminates in October 1992.

## EC TO RENEW CLAIM FOR £44.4m FROM ROVER

The European Court of Justice recently rejected, on procedural grounds, an order from the EC requiring British Aerospace to repay the £44.4m worth of 'sweeteners' it received in the acquisition of Rover Group in 1988. BAe has consistently refused to repay the money and had appealed against the EC decision. EC competition commissioner Sir Leon Brittain intends to recommend reopening of the case. The secret deal included deferred payment of the £150m Rover sale price until March 1990 saving BAe £22m in interest and tax charges, and a £9.5m grant towards BAe's costs of acquiring the remaining 0.2 per cent of Rover shares held by private investors.

## LINCOLNSHIRE TO TENDER PROFESSIONAL SERVICES

The Tory council have decided to put professional services out to tender ahead of any Government legislation. In line with the council's policies promoting competition, invitations to bid for the county's legal services are being issued. The work includes conveyancing and the main clients are the highways, planning and property departments. The county also intend to contract out as much as 65% of property services in 1992-93 and personnel and financial services are also being considered.

## BATTLE FOR PAY EQUITY

An industrial tribunal case opened in January involving 1,000 school meals staff employed by North Yorkshire County Council. When the school meals service was put out to tender, the part-time women catering workers were made redundant and offered re-employment on worse terms and conditions.

NUPE argues that the council discriminated against the women by treating them differently from groups of male workers affected by competition. The GMB have also launched legal action against Warwickshire County Council to challenge sick pay and pension agreements, which discriminate against part-timers.



## Local Government Bill: Contractors' Charter

# WIDELY CRITICISED

The Government's consultation paper 'Competing for Quality' (see PSA 45) has come under serious attack from a number of unexpected quarters.

The Audit Commission's response is highly critical of proposals for tender evaluation, double envelope bidding in services such as architecture and engineering, and extensive internal trading accounts. On trading accounts the Audit Commission states that the DOE *'run the risk of producing a system which is both unwieldy, difficult to administer and maintain and which may give rise to substantial costs far exceeding the likely benefits'*.

It also questions the benefits, relative to costs in a number of areas, and highlights the problems of extending CCT at a time of other substantial changes in local government - *'It would be a waste of scarce management resources if authorities were required to prepare for the extension of CCT and then to find that they had no future'*.

Another highly critical response to the consultation paper has come from the Society of Local Authority Chief Executives who warn that opening up new services to competition will have major resource implications. All councils will be forced to review service provision and some will have

to completely reorganise management structures. SOLACE also point out that specific requirements on council's internal structures and financial arrangements with its plans for client/contractor splits and internal trading amounts would constrain diversity and innovation. They also consider the DOE timetable for extending competition between 1992 and 1994 to be ludicrously short.

The Society of County Treasurers says the current proposals will undermine local accountability, harm managerial expertise, threaten quality and place a unreasonable burden on councils.

The Royal Institute of British Architects has expressed serious doubts on whether quality can be specified in creative design services. The institute also rejects the double envelope proposal.

### Consultants ignored

In addition to the embarrassment facing the Government over the consultation paper, in January the DOE's commissioned report on the extension of CCT to white-

collar services by PA Consulting was leaked, revealing the reasons why the Government did not want the report published. Although many of the suggestions in the report were adopted, the DOE did not point out the potential problems and reservations identified by the consultants, especially in corporate services, such as:

- little evidence of savings achieved by voluntary tendering out of white-collar services, other than in computing and printing
- some services are not good candidates for CCT eg. legal services whose private costs are four times as high as those in councils
- there is no viable market for many local government services

Other specific difficulties are also identified:

- high tendering costs outweighing the gains in effectiveness especially where the affected service is small scale
- problems of defining the boundaries of the services to be exposed to competition
- rigidity imposed on a council's organisational arrangements inhibiting innovation.

The report also calls for cross boundary tendering, a view which conflicts with the Government.

### Local Government Bill

The Government plan to have the legislation to extend CCT well in place by the next General Election. The Bill completed its committee and report stages in December. This included a successful amendment in the House of Lords merging the separate quality and cost rulings and applying them to all services put out to tender under the Local Government Act 1988. This would strengthen the position of local authorities in setting higher standards in their specifications.

However, the Environment Secretary, Michael Heseltine, announced in January that the Government intends to overturn the Lord's decision and introduce amendments at the committee stage of the Bill in the Commons. He stated his commitment to applying different criteria to white-collar services *'In the case of professional and non-technical services considerations of quality are more complex and more difficult to measure. It is for that reason we are prepared to consider modified tendering procedure with a separate quality threshold and double envelope tendering'*.

The Bill published at the same time as the Consultation Paper, started the Common's committee stage on January 28th. The bill will then return to the House of Lords and could receive Royal Assent as soon as early March.

## Conference & Seminar Prices LEAGUE TABLE

The increasing high cost of conferences and seminars provides management consultants and conference organisers with substantial fees and profits. Given the limits of what can be gleaned within the format of any 1 or 2 day seminar or conference most of which are a series of relatively short speeches, clearly many fail on value for money criteria. Few have much training content. The cost of travel (and hotels for 2 day events) and other expenses must also be added.

Conference	Organiser	Cost
New Commercial Reality	Coopers & Lybrand Deloitte	£495 + VAT
Elderly Care Conference:		
Costs, Quality & Care	Laing & Buisson	£465 + VAT
NHS: Investing in People	KPMG Management Consultants	£450 + VAT
Total Quality & Customer Satisfaction	IIR Ltd	£395 + VAT
Implementing CCT for Professional Services	IIR Ltd	£395 + VAT
Questioning Quality	Edinburgh City Council	£359 inc VAT
Committee Administration	Enterprise Training Centre	£250 + VAT
Effective Report Writing	ditto	£250 + VAT
Effective Management for Women Managers	ditto	£250 + VAT
Municipal Trading	ditto	£180 + VAT
Competitive Tendering for Professional Services	PULSE (Right-wing lobby group)	£180 + VAT

Source: Conference advertisements and leaflets



# Contractors' Fines & Failures

## Waste Management

There was a high level of complaints in the first weeks of the refuse collection contract operated by Waste Management in Woking. A report to the council in October 1991 stated that the company initially suffered a lack of detailed knowledge within their workforce and had difficulty in finishing work within the agreed timescales. The contracts manager for Waste Management told the council that problems had arisen because some of the council's redundant refuse collectors, who were expected to join the new contractor, had declined to accept jobs, leaving the company short of experienced operatives!

## Drinkwater Sabey

During the first week of Drinkwater Sabey's contract with Wycombe District Council, the council received 800 complaints. The contract is being run with 10 refuse workers less than the 55 who used to work for the council.

## Tylers

The company is using its foothold in a

council to gain further contracts. Tylers has already built up a close working relationship with Wandsworth where the company has refuse, street cleaning, grounds maintenance and schools transport contracts. It is obviously aiming to do the same in other London boroughs.

In spite of major problems with the Croydon refuse contract (see PSA 45) the borough has awarded the same company, Tylers, the street cleaning contract which will start in February 1992. 120 staff are affected by the decision. The Labour Group on the council demanded that the council cancel the street cleaning contract with the company which was estimated to be £200,00 a year less than the DSO bid. Meanwhile, the council waived penalties of £9,000 over the first three months (July-September) of the refuse contract. During October alone, the company incurred penalties of £8,000.

Problems over Barnet's refuse collection service continue and yet the council has also awarded Tyler's the street cleaning contract. Privatisation of the contract will involve 100 redundancies. Only three

months after the refuse contract started, Barnet issued Tylers with 133 default notices, where rounds have been missed. In one three week period, there were 1,753 complaints reported, more than 50% of which concerned missed collections.

## Cooper Cleaning Services

This small scale cleaning contractor was awarded the building cleaning contract in Dudley, West Midlands. 1,000 local authority cleaners have lost their jobs in the privatisation of the service.

By mid-January there were major problems with the contract; one Dudley school - Leasowes High School and Community College was closed for a day and a thousand pupils sent home because of possible dangers of slipping on dirty floor surfaces where there have been problems with cleaning.

The Chief Education Officer stated in the local press that there were staircases and two floor areas where the contractor has been having difficulties.

These floors had not been cleaned properly and waste paper baskets had not been emptied.

Cooper Cleaning were criticised for their delay in dealing with the problem.

Cooper Cleaning also has cleaning contracts with Hertfordshire County Council and the London Borough of Barnet.

## More News

### ECCO EMPLOYMENT AGENCY (UK) Ltd.

ECCO is doing well out of the privatisation of local authority services. They are involved in supplying temporary staff to contractors including Tylers (Barnet contract), Sitaclean (Enfield), MRS (Redbridge) and Onyx. The contract for supplying temporary staff to Onyx in Liverpool and Camden is worth over £1m in 1991/92.

### BERKSHIRE SELL-OFFS

In two years Berkshire County Council has shed 2,560 staff through its commercialisation policies. In its move towards being an 'enabling' authority, Berkshire has privatised its computer operations, grounds maintenance, county supplies, architectural services, cleaning, school meals, reprographics, vehicle maintenance, and music tuition. These deals which have involved contracting out to the private sector, four management buy-outs and the setting up of a private trust, are worth £28m a year.

### BIOPLAN MERGES WITH HOSPITAL CORPORATION

The private health care company, Bioplan Holdings, has been subject to a reverse takeover by Hospital Corporation International of the US, following half-year pre-tax losses of £5.5m. Founded in 1982, Bioplan set up several partnership deals establishing private medical facilities alongside NHS hospitals. Bioplan became a victim of its own aggressive growth which depended on exploiting NHS weaknesses and achieving high bed occupancy levels. Ironically, PSA detailed Bioplan's tactics under the heading 'HCA's Trojan Horse' (PSA No 33, p3). Bioplan runs seven hospitals, owning three independently and four in association with the NHS. Its shares were suspended in November 1991, less than seven months after Bioplan had raised £22.8m in a rights issue.

### NHS WHITE COLLAR WORK OUT TO TENDER

Ayshire and Arran Health Board have instructed its directly managed units to put a range of white-collar services out to competitive tendering. From 1 April 1992, functions including planning, personnel,

and information services will be devolved from the health board to unit level. These new tenders, which would begin from April 1993, break new ground in the NHS but fit in neatly with the Government's plans to further dismantle the public sector.

### NFC FALL IN PROFITS

The public sectors largest management buyout - the National Freight Corporation reported a 4% fall in pre-tax profits in 1991, in spite of claiming growth in its core businesses. The fall in profit was blamed on the decline in property activities. The group has written off its £11.5m investment in the Kings Cross development project.

### CLEANAWAY TAKE OVER CAIRD

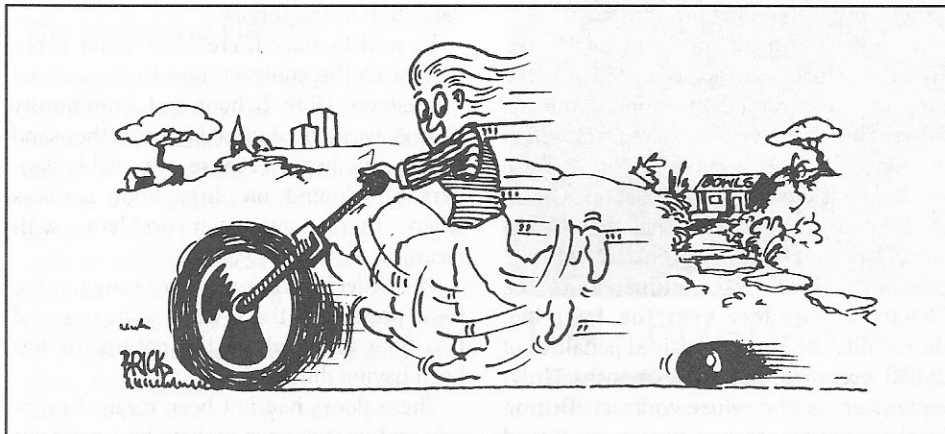
Cleanaway, a subsidiary of GKN/Brambles, has bought the Caird Group's dry waste collection business. Cleanaway paid £5.4m for the company, whose work includes two local authority refuse contracts, at Peterborough and South Ribbles. This confirms Cleanaway's intentions to expand into domestic waste collection. Cleanaway already have one contract in Mendip.



## Privatisation of the Royal Parks

# A CUT ABOVE...

The high quality work carried out in the Royal Parks has been put in jeopardy by the Government's blatant moves to privatise the service, cutting out any opportunity for the existing workforce to protect their jobs and the service they provide. The union representing the workers has called it 'privatisation for privatisation's sake'.



At the end of March five different private contractors will take over the running of the Royal Parks which at present is the responsibility of the Department of the Environment costing £20m a year. The DOE hope to 'save' £3,400,000. The parks staff and local authority DSOs were specifically barred from tendering for the contracts. Initially the Environment Secretary, Michael Heseltine, wanted to privatise the parks without tendering.

The existing workforce of 367 staff will lose their jobs, including 30 disabled people. Not one of these workers, including those with disabilities, has been guaranteed a job. The workforce are also concerned that the quality of the service, which requires an understanding of the park's complex ecological systems, will rapidly deteriorate.

The successful contractors were announced by the DOE at the end of January. **Glendale Industries** will be responsible for four parks - St James's Park, Green Park, Bushy Park and Richmond Park. **Serco** will be responsible for Hyde Park, **Brophy PLC** for Kensington Gardens, **Turfsoil** for Greenwich Park and **Tyler Environmental Services** for Regent's Park. The future of the parks is uncertain. None of these contractors has a good track record in the grounds maintenance sector. Tylers, Serco, and Brophy have all been subject to criticism on their local authority contracts and Glendale and Turfsoil have very little public sector expertise.

## SPORTS & LEISURE CONTRACTS

Two more leisure contracts have recently

been privatised. A 5 year contract for a sports centre in Banbury has been awarded to **D.C. Leisure**, a Surrey firm. The contract covers operational management only and Cherwell District Council will retain ownership and control of the service. A York-based company **Whitewater Leisure** has been awarded a contract by East Yorkshire Borough Council to run Bridlington's Leisure World complex.

## BROPHY GAINS GROUND

This grounds maintenance contractor is winning more local authority work despite the problems reported in many of its existing contracts (see PSA 45).

Derby City Council decided to award Brophy the £150,000 contract for the upkeep of parks and open spaces in one area of the city although the bid was only £7,000 lower than the one submitted by the DSO. Seven staff will be affected by the decision.

Nearby, Brophy have won a contract to maintain parks in Buxton following the decision by High Peak Council to privatise the service. 'Savings' of £58,000 a year are being claimed whilst 17 direct labour workers will lose their jobs.

Torfaen Borough Council have also awarded Brophy a grass cutting contract. Dacorum District Council have given Brophy a six year contract worth £500,000 a year to maintain 20% of the council's gardens and playing fields. 28 workers will be made redundant.

From January 1st Brophy will be operating a three year contract to maintain some of Wrexham's parks. Meanwhile, 20 council employees will lose their jobs.

## WANDSWORTH PRIVATISES SCHOOL CLEANING

Wandsworth retendered the school cleaning contract after refusing to consider a bid from its own DSO.

The refusal was made even though the 450 school cleaners had agreed a package of cuts in hours, pay, sick leave and bonuses in order to present a lower bid leading to savings of nearly £1m a year.

Instead, the council showed its true colours by retendering with a changed contract. Wandsworth divided the school cleaning service into four separate areas. This was clearly a signal for contractors offering lower pay levels and lower standards. 40 tenders were received from 12 companies over the four districts. Only the five companies offering the lowest tender were interviewed, while the DSO was not even given the opportunity to be interviewed.

Executive, already with cleaning contracts in the borough, were awarded two of the four areas and Wetton and A.I.P.S. the other two. The awards were made even though the tender evaluation report states that Executive and Wetton have extremely little experience of school cleaning.

The DSO did have a chance in the process and 363 part time cleaners and 8 assistant school keepers posts will be made redundant.

The council will face increased monitoring costs with three different contractors involved in four different areas of the borough.

## FOCSA WINS COTSWOLD CONTRACT

Cotswolds District Council have awarded their street cleaning and litter collection contract to **FOCSA Services (UK) Ltd.** The four year contract worth £292,952 per annum, was £100,000 below the council's budget for the service.

The DSO submitted a bid of £337,732, only 15% above FOCSA's bid. The company now claim to employ 500 people in nine locations including Stockport, Torbay, West Devon, Brighton, Hinckley and Wychavon.

The multi-national contractor has a UK turnover in excess of £9m.

Some of the historical towns and villages of the Cotswolds are worried that standards will drop under the new contract which is district wide, and moves away from the shared responsibility of county, district and parish.

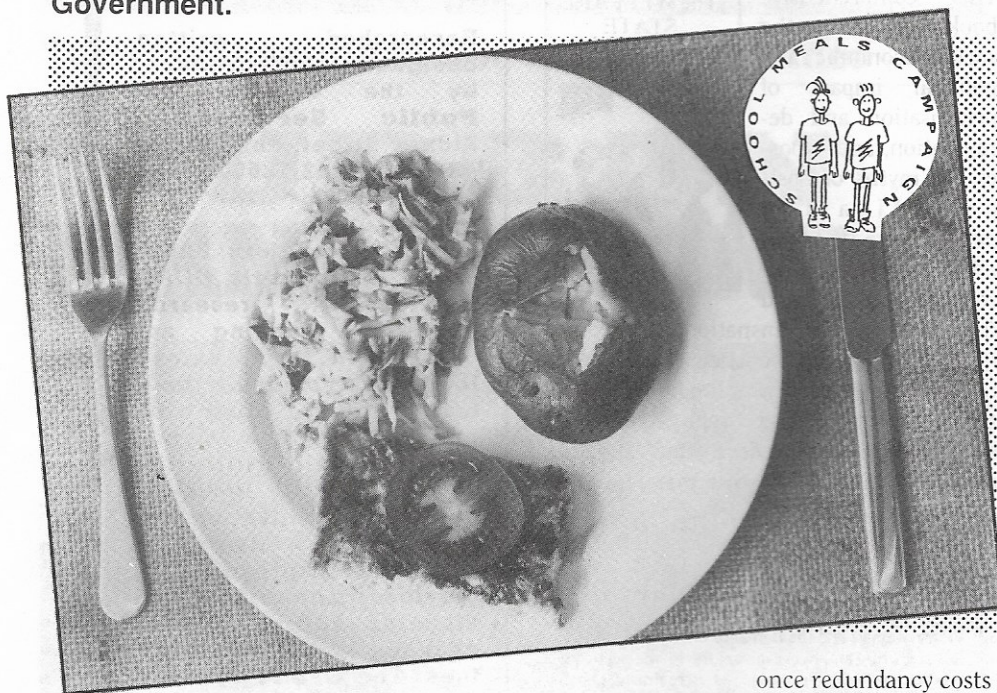
The council's decision follows in the wake of the takeover of the refuse service by **Cambrian Environmental Services**, a joint venture company partly owned by **SAUR**, a French waste disposal company.



## Quality meals at affordable prices

# SCHOOL MEALS CAMPAIGN

A national school meals campaign has been launched calling for improvements in the service to prevent children eating junk food. The campaign is backed by 53 medical, educational and health groups and wants national nutritional guidelines to be introduced, along with funding to give every child a quality meal at an affordable price. The campaign is targeted at parents and the Government.



The schools meals service has declined with only 40% of children taking them, compared with 70% a decade ago. The Government grant to school meals in 1991/92 was down by 8% last year, leaving many schools having to consider closing their kitchens.

A booklet was also launched 'School Meals: Take Action!' which includes a Ten Point Schools Charter, a Checklist and Action Plan.

The School Meals Campaign can be contacted at 102, Gloucester Place, London W1H 3DA. Tel. 071-935-2099. The booklet and a factsheet are available from the same address for £2.50 including p&p.

### Sunderland School Meals privatised

In November the borough council decided to award the £4m school meals contract to private catering contractor - Commercial Catering Group - with the loss of 858 staff. The tender evaluation carried out by consultants Touche Ross showed that the DSO bid was £290,823 cheaper than the DSO bid

once redundancy costs were taken into account. The report expressed concern about staffing levels at some of the sites and about CCG's lack of understanding about the dynamics of the labour market.

As with all cases of undercutting the DSO, the contractor has put in a lower bid because they propose to use fewer staff for less hours with poorer conditions of employment. CCG intend to employ 24% less staff at 38% less annual hours (by not paying the holiday retainer) and 41% less cost than the DSO. CCG employees will also have to work to higher productivity levels preparing a greater number of meals per day.

CCG already have school meals contracts with North Yorkshire County Council worth £1m and the London Borough of Ealing worth £3m.

NUPE have produced a report blaming Sunderland Council, the first Labour council in England to lose a schools meals contract. The report criticises the Tender Evaluation report by Touche Ross for its contradictory statements. It also accuses the council for a lack of commitment to its own in-house service.

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- 1 and 2 day courses on Business Plans, monitoring, tender evaluation, and other issues. Write for details.

### 5. Community Care

- advice on the retention and improvement of residential care.

### 6. Waste Disposal

- advice on tendering strategies for waste disposal contracts.

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# PUBLIC SERVICE ACTION

## Information

### NHS PRIVATISATION - THE SECRET AGENDA: A Report by West Midlands NUPE December 1991.

Available from Civic House, 101 Sutton New Road, Erdington, Birmingham B23 2RE.

The West Midlands division of NUPE have produced a report identifying the parts of the NHS services in the region which have already been hived off to the private sector. It also details the Tory Selsdon Group proposals for the NHS and confidential proposals by Professor Dyson of Keele University suggesting free treatment on the NHS may not survive the internal market, that wage costs will have to be cut in opted out hospitals and that the majority of 'non-care' staff should be designated 'self-employed' and that nurses ought to work 40-50 hours a week.

The report is being widely circulated and the union intend to monitor developments in the NHS.

### POWERS TO ACT - 2 (New Directions in Local Government No 4), February 1992, from LGIU, 1-5 Bath Street, London EC1V 9QQ.

This broadsheet explains the need for local authorities to have a power of general competence. This would enable them to undertake any activity relevant to their functions unless there were specific reasons. It shows that legislation would be very simple and would need to include obligations on councils in exercising the power.

### The WELFARE STATE: Privatisation, Deregulation & Commercialisation of Public Services: Alternative Strategies for the 1990s, Dexter Whitfield, Pluto Press, 1992, 544 pages, £19.95

Special PSA offer: Save £5.00 on the new book with a subscription to Public Service Action (new or renewal) Book at £14.95 plus PSA at £8.00 = £22.95 payable to Centre for Public Services.

This comprehensive book analyses the social, economic and political impact of privatisation and deregulation, and exposes the myths of post-privatisation performance. It identifies the illusion of share ownership and the way in which transnational companies have been the real beneficiaries of recent reforms. It details new and comprehensive strategies to rebuild, reform and restructure public services, and suggests means of controlling resources to meet user needs.



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### TOWER BLOCKS

#### National Safety and Security Exhibition & Conference

Many tenants, housing officers, architects and builders know that what was hailed as the answer to the 1960s housing shortage has become a major housing problem in the 1990s. The Federation of Associations of Manchester Estates (FAME) and the National Tower Blocks Network (NTBN) share these concerns in wanting to improve conditions for tower block tenants, especially their safety and security.

Manchester Town Hall, Albert Square, Manchester M1 on

Friday 6 March 1992 10am - 4 pm

Launch of fire safety pack, workshops on fire safety, security systems, children in blocks, racial harassment, refurbishment schemes, infestations and asbestos.

Further details from:

FAME, Room G, 2nd Floor, 21 Oldham Street, Manchester M1 1JG Tel 061-839 2189  
NTBN, Aizlewood's Mill, Nursery Street, Sheffield S3 8GG Tel 0742-823163

### CHANGE OF NAME

We have reorganised our publications consequently Public Service Action will in future be produced by the Centre for Public Services (formerly SCAT).

### CENTRE for PUBLIC SERVICES

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# PUBLIC SERVICE ACTION

Researched, written, designed and produced by the Centre for Public Services, 1 Sidney Street, Sheffield S1 4RG Tel. 0742-726683 (Fax: 0742-727066).

The Centre for Public Services (formerly SCAT) provides research, strategy, planning and training to trade unions, local authorities, community and other organisations. The Centre has unrivalled experience of working with local and national organisations on developing strategies to retain and improve public services, monitoring privatisation, and researching changes in public services. The Centre operates nationally from a base in Sheffield.

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