UNISON
Greater London

The Fragmentation of London Local Government

Researched by

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Summary of key issues

• The report identifies five forms of fragmentation. Firstly, institutional fragmentation involves the formation of new institutions or transferring responsibilities from local authorities to new companies and trusts. Secondly, organisational and managerial fragmentation describes internal division of responsibilities and duties to business units. Thirdly, service fragmentation, treating each service separately for tendering purposes which often conflicts with user needs and economies of scale. Fourthly, employer fragmentation as a result of institutional, organisational and service fragmentation leading to a multiplicity of employers. Finally, workplace fragmentation, the physical separation of workplaces with different offices and depots.

• Fragmentation is a direct result of the transfer of responsibility to quasi-public bodies or quangos, privatisation, the formation of arms length organisations, the Private Finance Initiative, public-private partnerships and the adoption of new management strategies and commercialisation in local authorities.

• The impact of fragmentation is identified for local government, services, users, staff and trade unions. This includes the erosion of democratic accountability, budget maximisation and underspending in quangos whilst local authorities suffer cuts; the loss of corporate policies such as equal opportunities; reduced economies of scale, wider use of contracting out and management consultants; the proliferation of charters, league tables and customer care but little real evidence that the quality of services has improved. Fragmentation has also led to job losses, cuts in terms and conditions and made trade union representation more difficult.

• There are 192 Grant Maintained Schools in London which have opted out of local authority control. More than half the secondary school pupils in ten boroughs are in GMS schools. ·

• Five London boroughs have sold DSOs to private companies and seven boroughs have privatised seventeen white collar services.

• Nearly 45,000 council homes in twenty contracts are managed by ten different private housing management contractors.

• Casualisation is rampant, for example, the use of agency staff has increased in most boroughs - one spending the equivalent cost of employing 500 full-time staff.

• Private contractors now have more contracts than Direct Service Organisations in London, 281 to 274.

• Further externalisation and contracting out, coupled with the transfer of council housing to local housing companies and the use of the Private Finance Initiative to fund local authority investment in schools, social services, libraries and other services, will further fragment local government in London.

Introduction

This is the first study which has examined the impact of the fragmentation of local government services in London. It examines the accumulative impact of privatisation, competitive tendering and market testing and the transfer of responsibility for services to quangos. Fragmentation is distinguished from decentralisation which involves devolving decision-making, service delivery and management within local government.

The report is also unique in combining an analysis of the effect on services, employment and trade unions as well as local government. Fragmentation is particularly important for London. Both the scale of fragmentation and its accumulated effect is far greater in London than in other urban areas.

Objectives

The project had the following objectives:

1. To document and analyse the effect of the increasing fragmentation of local government in London on UNISON and its members.

2. To identify the effect on UNISON organisation, bargaining strategies, recruitment and retention of members, and campaigning.

3. To identify the effect on jobs, terms and conditions.

4. To identify the effect on democratic control and management of local services.

5. To identify the scope for policy initiatives and a potential agenda for UNISON campaigning and building alliances with user organisations.

Methodology

We first identified the different forms of fragmentation and examined these at both a London level and within five case study boroughs. The case studies highlighted differences between inner and outer boroughs, political control and provided a wide experience of privatisation, transfers and competitive tendering. They also had different trade union organising and strategic responses to the effects of fragmentation on membership and recruitment. The project was managed by a steering group of the Greater London Region Executive.

Structure of the report

The report is divided into three parts. The first identifies the different forms of fragmentation of local government ranging from the transfer of responsibilities, privatisation and the division of existing services into contracts and separate organisational structures. The second part examines the effect of fragmentation on services and staff. The final part discusses some important policy and trade union issues which will need to be addressed in order to reduce the harmful effects of fragmentation.

Part 1
The fragmentation of local government

Introduction

The fragmentation of local government and the dispersal of union membership has been caused primarily by the imposition of Conservative Government policies between 1979-97. Some local authorities have increased fragmentation in the way they have embraced privatisation and competition.

This has been compounded by the acceptance of the enabling model of government. In this concept of government, services are delivered by private contractors, voluntary organisations and in-house services and the authority adopts a policy of facilitating service delivery, primarily as a purchaser of services rather than as a direct provider.

Different forms of fragmentation

Over the last 17 years a stream of legislative requirements or government orders have required local authorities to transfer, privatise and deregulate their activities. Much legislation has also increased local authority responsibilities at the same time as local government expenditure has been drastically reduced.

The cause of fragmentation

The fragmentation of local government services is the result of five main policies:

* **Transfer of responsibility to quasi-public bodies or quangos:** The Conservative Government removed responsibility for certain services from local authorities and transferred them to newly established bodies or increased the powers of existing organisations.

* **Privatisation:** Compulsory and voluntary competitive tendering has resulted in some contracts being awarded to private firms or voluntary organisations. A few boroughs have externalised DSOs and white collar services to private contractors and consultants. Other policies such as Large Scale Voluntary Transfers and trickle transfers of council housing to housing associations and the establishment of trusts to takeover leisure services and residential homes have had a similar impact. Local Housing Companies are the latest development.

* **Arms length organisations:** The funding regimes for City Challenge and the Single Regeneration Budget have encourage local authorities to set up specific arms length companies to carry out regeneration and economic development initiatives.

* **The Private Finance Initiative and public-private partnerships** are responsible for the design, build, finance and operate infrastructure projects and new or improved facilities for local services. This results in a loss of work from local authorities and new private consortia becoming responsible for a significant part of service delivery in addition to owning the facilities.

* **The adoption of new management strategies and commercialisation** within local authorities and public bodies has resulted in the separation of responsibilities and activities within local authority departments, for example, the separation of client and contractor and the formation of business units.

Forms of fragmentation

These policies have resulted in five forms of fragmentation:

1. Institutional fragmentation
Setting up new institutions or transferring responsibilities from local authorities to new companies and trusts. Examples include GMS schools, local authority owned companies, residential care and leisure trusts.

2. Organisational and managerial fragmentation
Internal fragmentation with separation of client and contractor, business units, LMS. Overall service and employment responsibility rests with the local authority but services are delivered by different organisational units.

3. Service fragmentation:
Separation of services into distinct elements and responsibilities such as services to schools. This conflicts with the trend toward facilities management contracts.

4. Employer fragmentation
Institutional, organisational and service fragmentation results in multiplicity of employers. For example, under LMS each school governing body is in effect a separate employer.

5. Workplace fragmentation
The transfer of responsibilities, privatisation and commercialisation has resulted in the physical separation of workplaces with staff working within smaller units geographically dispersed. Whilst there has obviously been no change in educational workplaces, DSOs, business units and private contractors have often operated separately. Some organisations such as TECs have sought their own separate identify often by renting new office units.

Transfer of responsibility

The transfer of local authority responsibilities to quangos, public companies and voluntary organisations has had a major impact in London, as in the rest of Britain. The level of transfer varies between regions and authorities and is particularly severe in those London Boroughs where the enabling concept has been welcomed and in those without a strategic perspective and related policy directed to defending in-house services.

Quangos

Local services have been transferred to quangos which were previously provided, or at least influenced, by local authorities. The number of local quangos has increased in Britain, along with their spending. Research by the Democratic Audit "The Untouchables" found that 5,207 of Britain's 5,750 executive quangos {90%} operate at a local level.

Democratic Audit do not hold data broken down by region or for London. However, the list of organisations or quangos which have been established to take over local government responsibilities and services, such as Training & Enterprise Councils, careers service companies, Grant Maintained Schools and Further Education corporations operate in all London boroughs or cover a group of boroughs (see Table 1.1).

About 60,000 "quangocrats" run local quangos and virtually all are either self-appointed or appointed by government ministers. They outnumber elected local Councillors by nearly three to one. In 1994/95 quango spending totalled £60.4 billion, almost as much as council spending at £73 billion. More than two-thirds of quangos produce no annual report, have no register of interests and do not admit the public to meetings.

The reduction in local authority control over services has recently been further reduced by the hiving off of the careers service. In addition, 41 new police authorities operate under central control with reduced local authority involvement. The newly formed

Environment Agency has removed waste disposal and related functions from local authorities.

Table 1.1: **The Local Quango State**

Type pf quango	1994	1996
Executive quangos		
(including housing action trusts & UDCs	31	33
NHS Hospital Trusts	314	521
Career service companies		91
City technology companies	15	15
Further education corporations	557	560
Grant-maintained schools	1,025	1,103
Higher education corporations	164	175
Housing associations	2,888	2,565
Local enterprise companies	23	22
Police authorities		41
Training and Enterprise Councils	82	81
Total	**4,879**	**5,207**

Source: "The Untouchables: Power and Accountability in the quango state" Democratic Audit, 1996.

Local quango spending has increased rapidly since 1979 (see Table 1.2). Most of the money now spent by local quangos was previously spent either by local authorities or central government, both of which are democratically accountable.

Table 1.2: **Expenditure by Non-elected bodies in Britain**

Organisation	1978-79 expenditure £m	1994-95 expenditure £m
City technology companies	17,940	20.840
Grant-maintained schools		51
Training and Enterprise Councils		223
Career service companies		1,329
Police authorities		35
NHS quangos	22,580	33,100
Total	**40,520**	**58,842**

Source: "The Untouchables: Power and Accountability in the quango state" Democratic Audit 1996.

Education

Since 1988 major changes in education at the local level have included devolving power to schools and the removal of further education colleges from local authority control. Whilst there has been an element of decentralising control of education, the central plank of Government policy has been to transfer responsibility out of local authority control and to encourage competition between schools. The policies which have led to a more fractured service include:

* The introduction of Local Management of Schools (LMS) involved most of the management and employment responsibilities for individual schools being transferred from local education authorities to head teachers and governing bodies.

* The extent of transfer to Grant Maintained Schools clearly varies between boroughs (see Table 1.3) and has primarily affected the secondary sector. For example, in Bromley there is only one secondary school left under Local Education Authority (LEA) control, the remaining 16 secondary schools now having grant maintained status. It is also significant that there is a core of ten boroughs where half or more of the secondary school pupils are in GMS schools. Seven out of the ten, Bromley, Hillingdon, Barnet, Croydon, Ealing and Kingston, are outer boroughs and only three are inner boroughs, Lambeth, Brent and Wandsworth. It is also significant that all ten boroughs also feature exclusively in the externalisation of other local authority services (see tables 1.8 and 1.9).

By contrast, the majority of primary schools are still under LEA control. By December

1996, 192 Grant Maintained Schools in London had opted out of local authority control. More than half the secondary school pupils in ten boroughs are in GMS schools. No primary schools have transferred to GMS status in fourteen London Boroughs.

Table 1.3: **Grant Maintained Schools in London**

London Council	Primary	% of pupils in GMS	Secondary	% of pupils in GMS	Special	Total operating
Bromley	6	10	16	93	1	23
Hillingdon	10	13	12	85		22
Lambeth	9	13	8	60	3	20
Brent	5	8	11	83		16
Wandsworth	6	11	6	75		12
Croydon	3	5	9	52		12
Southwark	7	9	4	27		11
Sutton	3	6	8	59		11
Ealing	4	5	5	46		9
Bexley	3	3	5	26		8
Enfield	1	1	5	32		
Kingston	1	2	5	47		6
Havering	0		4	27		4
Waltham Forest	1	2	2	19	1	4
Camden	0		2	23	1	3
Kensington Chel	2	8	1	20		3
Hounslow	0		2	14		2
Greenwich	1	1	0			1
Hackney	1	1				1
Hammersnith	0		1	21		1
Haringey	0		0			0
Harrow	0		1	7		1
Lewisham	1	2	0			1
Merton	0		1	10		1
Newham	0		1	4		1
Redbridge	0		1	7		1
Tower Hamlets	0		1	7		1
Barking & Dag						0
Islington	0		0			0
Westminister	0		0			0
City of London						0
Total Londom	**66**		**121**		**6**	**192**
Total England	**479**		**650**		**18**	**1,147**

Source: Compiled from information supplied by Local Schools Information Service and Funding Agency for Schools, December 1996.

* Further Education (FE) colleges were removed from local authority control from 1st April 1993; there are now 465 FE Corporations. The colleges are no longer accountable to local authorities, but to the Further Education Funding Council (FEFC) and in turn the Secretary of State. The FEFC took over the funding of the colleges, which are now run by governing bodies.

There are usually about two staff representatives on the board of governors. Many FE colleges have undergone restructuring and reorganisation since incorporation. A business orientation has been adopted in many colleges with the principal wielding considerable power and authority.

* Introduction of City Technology Colleges and Technology Colleges; secondary schools independent of the LEA. There are now five City Technology Colleges in London (established from 1987), and five Technology Colleges (established in 1995).

* Removal of polytechnics from local authority control and the establishment of Higher Education Corporations.

* Contracting out of the Careers Service - see below.

In addition, nationally, the Conservative Government established:

* The Funding Agency for Schools - a new quango servicing grant-maintained schools and potentially weakening the role of local education authorities.

* The Further Education Funding Council - a quango overseeing the FE colleges.

* The Higher Education Funding Council, a quango overseeing the new universities (previously polytechnics).

Careers Service

The Trade Union Reform and Employment Rights Act 1993 removed statutory responsibility from Local Education Authorities to provide a careers and guidance service. The Careers Guidance service was taken out of local authority control in 1994 and transferred either to private contractors or new company/partnerships with education authorities and/or TECs. Ninety-one Career Service Companies were established in England, Scotland and Wales and are run by a variety of private companies, consortia of local councils and TECs. They also sometimes incorporate Further Education corporations and local Chambers of Commerce. The Government has considerable powers to change the composition, powers and size of the new Careers Service Companies.

The Careers Service Companies spend about £200m annually. Nationally, 81 % of careers contracts have been won by new careers companies, joint ventures with TECs and other bodies. The remaining contracts have been awarded to existing private contractors. Although all staff have transferred under TUPE, there are cases where terms and conditions of employment have been altered and several companies have moved away from NJC pay and conditions of service.

In London nine areas were put out to tender in December 1994 based on the Training and Enterprise Council geographical boundaries and contracting out took effect from April 1st 1996. New companies have been formed (see Table 1.4). For example, Capital Careers was formed out of the careers services of four London Boroughs covered by the Central London Training and Enterprise Council - Westminster, Kensington and Chelsea, Hammersmith and Fulham, and Camden. The company has taken over the services in the four boroughs in a five-year contract.

Table 1.4: **Careers Service Contracts in London**

TEC areas	Boroughs	Contractor
AZTEC	Kingston, Merton, Wandsworth	Search Careers Services
CENTEC	Camden, Hammersmith, Kensington & Chelsea, Westminister	Capital Careers
CILNTEC	City, Hackney, Islington	Careers Enterprises
LETEC	Barking, Havering, Newham, Redbridge, Tower Hamlets & Waltham Forest	Futures Careers Guidance
North London TEC	Barnet, Enfield, Haringey	Prospect Careers Services
North West London TEC	Brent, Harrow	Nord Anglia/ Lifetime Careers
SoLo TEC	Bexley, Bromley Croydon, Sutton	Prospects Careers Services
South Thames TEC	Greenwich, Lambeth, Lewisham Southwark	London South Bank Careers
WELTEC	Ealing, Hillingdon, Hounslow, Richmond	CfBT, West London Careers Service

Source: Centre for Public Services, 1996

Training and Enterprise Councils (TECs)

A national network of 82 TECs was established in 1989 with a mandate to assess, plan and manage training and enterprise programmes, as part of economic regeneration programmes. They were key to the Government's policies to introduce market principles into public training systems. TECs were initially staffed by civil servants and hence there was no transfer of staff from local authorities. However, they have taken over local authority training activities such as the provision of training through further education colleges, economic development departments, enterprise initiatives, and careers. Local authorities are also major employers with their own training needs.

The nine London TECs varied in size, in terms of geography and financial powers (see Table 1.5).

Table 1.5: **London TECs**

TEC	Boroughs covered	Operational date
AZTEC	Wandsworth, Kingston, Merton	Nov. 1990
CENTEC	Camden, Hammersmith & Fulham, Westminster, Kensington & Chelsea	Sept. 1991
CILNTEC	Hackney, Islington, the City	Oct. 1991
NLTEC	Enfield, Haringey, Barnet	Sept. 1991
NWLTEC	Brent, Harrow	Sept. 1991
LETEC	Newham, Tower Hamlets, Waltham Forest, Redbridge, Barking, Havering	April 1991
SOLOTEC	Bexley, Bromley, Croydon, Sutton	April 1991
STTEC	Greenwich, Lambeth, Lewisham, Southwark	May 1991
WLTEC	Richmond, Ealing, Hillingdon, Hounslow	August 1991

Source: "A New Partnership? Training and Enterprise Councils and the Voluntary Sector" Unemployment Unit 1994

Management Committee or Board Members

Although the Secretary of State can play a role in appointments to TEC boards, TECs can in theory control their own appointment of board members. The chairman is chosen by the board and the board is self-nominated, largely from the local business community. Non-executive board members are expected to come from the private sector. New non-executive directors are informally approached by the board. The size of TEC boards varies between 1 O and 22 members, the majority of whom are nonexecutive directors. Two-thirds of members are usually drawn from the private sector including chairs, chief executives or top operational managers. A third are drawn from local authorities, trades unions, voluntary organisations and other local bodies.

Employment and role of trade unions

Most TE Cs have approximately 100 staff. All TE Cs are individual employers so terms and conditions can vary between TECs. Originally many TEC staff were civil servant secondees. This came to an end in 1994 and TECs are free to recruit those civil servants they want to keep. Many new staff have been appointed on individual contracts, short term contracts (1 year) and some TECs operate performance related pay schemes.

Many TECs do have trade union representatives as directors though their role is often limited. There are many examples of close cooperation between local authorities, TECs, trade unions and local business and community organisations. However, many local authorities fear that TECs will ultimately take over council responsibilities for economic development and training funded through the European Social Fund. This has already happened with some of the Careers Service privatisation. TECs have been widely criticised by a range of organisations such as the Association of Metropolitan Authorities, the Centre for Local Economic Strategies and the Unemployment Unit.

The performance of London TECs

A study of London TECs found that they were failing to meet the challenges of

unemployment and economic under performance in the capital (Unemployment Unit, 1994). It concluded that:
* London TECs should improve strategic co-ordination between London-wide needs
* TEC boards are unstable and unrepresentative of local communities
* The role of voluntary sector groups in providing mainstream training has been undermined
* The performance of London TEC training programmes is among the worst in Britain.

The South Thames TEC collapsed in late 1994 with debts of £5m and has since been merged.

During 1995/96 English TECs have shown a sharp increase in their operating surpluses. Whilst accumulated reserves stand at £250m, the TEC programme budget was cut by £176m. Whilst budgets have fluctuated, some TECs have managed to make substantial profits; others have suffered losses, especially in 1994/95 (see Table 1.6). During 1995/96 many TECs have made substantial profits from their contracts with providers and questions need to be asked about the use to which surpluses are put and the practices used by TECs to maintain such a high-level of surpluses given continual budget cuts. The fragmentation of training services means that it is increasingly difficult to find out whether the financing of TECs and training schemes is in the best interests of the local community.

Table 1.6: **London TEC Operating and Accumulated Surpluses: 1995-96**

TEC	Operating surplus 1994-95	Operating surplus 1995-96	Accumulated March 1996
AZTEC	£749,000	£885,000	£4,398,000
CENTEC	£287,000	(£23,000)	£2,701,000
CILNTEC	(£37,000)	£54,000	£2,406,000
LETEC	£2,765,000	n/a	n/a
North London	£3,519,000	£803,000	£7,067,000
North West London	£118,000	£1,052,000	£2,582,000
SOLOTEC	£1,396,000	£2,575,000	£6,249,000
West London	(£287,000)	£1,400,000	£2,600,000
Total	**£5,718,000**	**£6,746,000**	**£28,003,000**
Total England (74 TECs)		£35,000,000	£250,000,000

Source: TEC Annual Reports 1995/96, Unemployment Unit Working Brief, Nov. 1996.

Privatisation

Privatisation has taken a number of forms including:
* Compulsory Competitive Tendering (CCT) and Market testing
* Voluntary Competitive Tendering
* Externalisation and trade sale of DSOs
* The sale of local authority assets

Competitive tendering

CCT for manual services has had a more severe effect on London than in the rest of England and Wales (see Table 1.7). Private contractors now have more contracts than DSOs in the capital.

The DSO success rate in London has been substantially lower in every service than the national average, particularly in building cleaning, other cleaning, vehicle maintenance and education catering. London contracts accounted for between 8% - 15% of the total number of contracts in each service.

The pattern of contracted out services varies widely between boroughs. For example, the list of contracted-out services in Bromley, Wandsworth and Westminster is extensive in sharp contrast to others such as Hammersmith, Lewisham, Greenwich and Merton

where there has been a commitment to retain in-house services or to regain those lost under previous administrations.

Table 1.7: **Level of DSO success in London in winning CCT contracts**

Service	% of contracts		% by value		London contracts	
	Eng/Wales	London	Eng/Wales	London	DSO	Private Sect
Building cleaning	46	39	73	61	51	81
Refuse collection	63	53	65	48	17	15
Other cleaning	65	53	72	54	18	16
Vehicle Maintenance	75	56	74	54	14	11
Education catering	73	60	78	75	33	22
Other catering	61	50	75	29	16	16
Grounds maintenance	56	48	72	52	95	105
Sports & leisure	80	67	88	62	30	15
Total					**274**	**281**

Source: Compiled from CCT Information Service Survey Report No.14, December 1996.

White-collar CCT

The first phase of tendering for housing management, legal and construction and property services resulted in a low level of bidding and relatively few contracts awarded to the private sector.

In legal services, DSOs have won 77% of contracts (89% by value) nationally. Twelve legal firms have won 15 contracts, but no company has so far emerged as a leading national contractor at this stage. DSOs have tended to win larger packages, whilst a few companies have won some significant single contracts.

In construction and property services, in-house bids have won 60% of contracts, 64% by value, nationally. DSO success has been lower than in other professional services, with a diverse range of firms keen to enter the market.

In housing management, DSOs have won 89% of contracts, 90% by value. Out of the 27 privatised contracts, the majority have been awarded to housing associations. Nationally, only eight contracts were awarded to private firms and all of these were in three London Boroughs.

The implications of the proposed rule changes from the DOE in November 1996 could be particularly severe in boroughs where there is a strong commitment to retain services in-house and where a minimal amount has been contracted out so far.

Externalisation in London

In addition to compulsory and voluntary competitive tendering, seven London Boroughs sold-off white collar services between 1994-96 resulting in over ·1, 150 jobs being transferred to private companies. Most of the services and jobs were concentrated in Ealing, Bexley, Croydon and the City of London (see Table 1.8). They have been recently joined by Lambeth, Hounslow and Hackney.

Table 1.8: **Externalisation of White Collar Services in London**

Local Authority	Contractor	Service	No. of staff	Annual Value (£m)	Date
Bexley	Parkman	Property services	83		1994
Bexley	Capita	Finance	76	2.4	1996
Bexley	ACT	IT	n/a	1.8	1994
Bexley	Hartshead	Pensions Admin	n/a	0.8	
Brent	Amey	Property services	n/a		
Bromley	Bullen Consultants	Technical services	16		1994
City of London	CSL	Revenue collection	n/a	1.0	1994
City of London	Sterling Granada	Parking	n/a		
City of London	W.S.Atkins	City Engineers	55	10.0	1995
Croyden	Buildingcare Ltd	Building & Architectural	12		
Croyden	WSP Group	Building services		5.0	
Croyden	CSL	Finance (4 contracts)	30	10.0	1995
Croyden	Stoneham Langton	Legal services	360	0.97	1995
Croyden	IT Net	IT	30	3.6	1995
Croyden	Montague Priv Equi	Estates and Valuation	35		
Ealing	BRETs	Technical services & DSO	416	*	1994
Kingston	SERCO	Architecture & Build serv	40		1994
			1,153		

Source: Centre for Public Services, 1996 * see Table 1.9 on Trade Sale of DSOs

The sale of Direct Service Organisations in five boroughs resulted in 3,875 manual jobs being transferred to private contractors (see Table 1.9). This makes a total of five thousand local authority jobs in London being externalised to private firms.

Table 1.9: **Trade sales of DSOs in London**

Local Authority	Contractor	Service	No of staff	Annual Value (£m)	Year
Bexley	FM Contract Serv	DSO management	67	n/a	1992
Bromley	Sita GB	Grounds maintenance, Building cleaning & catering	550	n/a	1993
Ealing	BRETs	Technical services & DSO	1,078	130	1994
Kingston	Sita GB	All DSOs	180	4	1994
Lambeth	Serviceteam	Preferred contractor	2,000	35	1996
Total			**3,875**		

Source: Centre for Public Services, 1996

The largest transfer of direct service organisations to the private sector was agreed in January 1997. Lambeth awarded a £350m contract, which lasts 10 years, to Serviceteam which was formed less than two years ago by ex-Lewisham staff. The contract, covering 17 key services, will involve the setting up of a new joint venture company - Serviceteam Lambeth - and affects 2,000 staff, the majority of whom are manual workers.

Two London boroughs, Greenwich and Bexley, have externalised leisure services to charitable Trusts. Greenwich set up a workers cooperative, Greenwich Leisure Ltd, which operates leisure facilities on behalf of the borough. However, a trade union official who is also a Board member described the cooperative as "what you would expect from a private contractor" and management have consistently attempted to change terms and conditions ever since the cooperative was set in 1993. Bexley established their Trust in 1996 and had previously substantially reduced terms and conditions in winning the CCT contract. Lewisham rejected a leisure trust proposal in late 1996.

Access to Non-Domestic Rate Relief and exemption from VAT charged for certain sports and leisure activities are the primary attraction of Trust status. How long these financial advantages will continue remains to be seen.

Another borough, Hounslow, is currently examining similar moves. However, the Hounslow proposal covers the entire Leisure Services DSO which includes libraries, arts and cultural services, grounds maintenance, school and welfare catering and building

cleaning with total expenditure of £33m in 1996/97. This would be another 'first' for London but there are many important legal, operational and corporate issues at stake. Lewisham is currently considering a Private Finance Initiative project in school meals.

Other forms of externalisation include Local Authority Waste Disposal Companies (LAWDCs) and in housing - Large Scale Voluntary Transfers.

Market testing in Community care

Although competitive tendering in social services is not compulsory, recent legislation and changes in funding have imposed major changes on the service, often involving major restructuring in service provision, particularly in the residential and home care services.
The NHS and Community Care Act 1990 gave local authorities primary responsibility for care in the community, but also sought to change their role from providers of care to enabling agencies. As a result of market testing and the impact of the Act, the private and voluntary sector has a much increased role, providing many of the local authority services to groups with special needs and the elderly; this includes basic home care services.

Increasing competition in community care is threatening to further fragment membership in the service. The extent to which community care services have been fragmented varies between boroughs. For example, in Westminster the home care service was tendered in the south of the borough and won in-house. The north of the borough is now tendering and there are fears that the cuts in funding will determine evaluation of the tenders. Agencies are already working in Westminster. In Camden an increasing proportion of the social services budget is spent in the private and voluntary sectors as Table 1.10 illustrates.

Table 1.10: **Social Services Contracts in Camden 1996**

Service	Number of contracts	Annual Value	Total value
Elderly (inc home care)	20	£3,994,624	£10,930,738
Mental health	3	£690,602	£2,523,522
Children & Families	6	£474,316	£674,108
Drugs and Alcohol	5	£181,171	£288,383
Learning Difficulties	1	£121,084	£121,084
Physical Difficulties	1	£115,000	£230,000
HIV & Aids Related	1	£61,500	£61,500
Total Expenditure	**37**	**£5,638,297**	**£14,829,335**

Source: Summary of Report to Social Services Committee, London Borough of Camden, 2nd July 1996.

The largest expenditure is on services to older people and includes contracts run by Camden Age Concern worth £572,400 annually, bathing and personal care run by Care Alternatives Ltd. for £135,000 and three home care contracts run by three different companies - Cleshar, Plan Personnel, and Care Alternatives - all worth £262,500 each. Some of the work, for example, in drugs has been run by voluntary organisations for a number of years. Two day care centres for mentally ill have also been privatised. Although there have been no compulsory redundancies in the home care service, members have left through VER schemes and agency staff have been used on a flexible basis, particularly in front line services.

Fragmentation of Council Housing in London

Council housing in London has become more fragmented as a result of four policies:
* Large Scale Voluntary Transfers
* Voluntary and Compulsory Competitive Tendering
* Transfers to Tenant Management Boards
* Sale of Council Housing

The establishment of Local Housing Companies will result in further fragmentation

because up to 8,000 dwellings will be transferred to new organisations.

Large Scale Voluntary Transfers

There has been only one Large Scale Voluntary Transfers (LSVT) in London when Bromley transferred all its housing stock to a new housing association, Broomleigh HA in in 1993. However, London is ringed with a number of smaller local authorities which have transferred their stock and some of these associations have been bidding for CCT housing management contracts. These include Hyde HA (Dartford BC transfer) which was successful in Lambeth, Chiltern Hundreds HA (Chiltern DC transfer) in Richmond, Mid Sussex HA (Mid Sussex DC transfer) in Sutton. High Weald HA (Tunbridge Wells BC transfer) has also expressed interest.

In January 1997, the Department of the Environment issued a Consultation Paper on Transfers requiring local authorities to draw up a housing transfer strategy. The Conservative Government set a target of a 1 m transfer in the next ten years. Local authorities which failed to provide an acceptable transfer strategy would be penalised with a reduced Annual Capital Guidelines (ACG). The size limit of transfers was increased from 5,000 to 12,000 together with additional funding of the Estates Renewal Challenge Fund to £500m over next 3 years. Further inducements for local authorities included three years 'holiday' from transfer receipts levy and 25% of the capital receipt made available to spend on housing.

Voluntary and Compulsory Competitive Tendering

London - National contract award analysis: The in-house win rate in London was only marginally below that nationally. In-house teams in London won 93.5% of contracts by value compared with 95.2% nationally (see Table 1.1 O). In London private contractors won £3.?m or 4.2% of contracts compared with housing associations who won £2.0m by value or 2.3%. The national contract value was about £203m covering some 1,157,000 dwellings.

Table 1.11: **London - National contract award analysis**

	% of number of contracts		% value of contracts	
	In-house	**External**	**In-house**	**External**
London	89.1	10.9	93.5	6.5
National	n/a	n/a	95.2	4.8

Source: Centre for Public Services

Five London boroughs have awarded contracts either to private contractors or to housing associations (see Table 1.12). Most were relatively small contracts in the 1000-2000 dwelling range. The 10,200 dwelling Sutton contract awarded to Serco was the exception. Nearly 40,000 council homes in eighteen contracts are managed by nine different private housing management contractors.

Table 1.12: **Housing Management Contracts Awarded to external contractors 1996**

Council	Contractor	No. of Contracts	Annual value (£m)	Stock
Brent	CSL	1	0.6	3,500
Lambeth	Hyde HA	2	1.5	5,300
Sutton	SERCO Group	3	2.0	10,200
Wandsworth	Johnson Fry Housing	3	0.4	1,900
	Jackson-Stoops	1	0.5	1,580
Wesminster	Paddington Churches HA	2	0.5	3,100
	Johnson Fry Housing	1	0.2	1,190
Total		**13**	**5.7**	**26,770**

Source: Centre for Public Services, Housing CCT Update

There are very specific reasons why private contractors and housing associations won contracts in London. Wandsworth and Westminster tendered small contracts which

attracted higher levels of competition than larger contracts. Clearly, Westminster's rolling programme of tendering housing management contracts has been used by some contractors such as Serco, Psec and Johnson Fry as a learning process to test and improve their pricing and tendering strategies. The in-house service won seven out of ten contracts, a significant record given the boroughs tendering and housing track record. Wandsworth has also sought to maximise competition by packaging very small contracts, some a small as 250 dwellings. The majority of the VCT contracts were won by the in-house service. Johnson Fry has won three contracts in the borough but they cover only 1,900 dwellings.

Serco won three contracts in Sutton with a total bid of £11.3m, some £2.9m below the in-house service. Two other bidders, Psec and Mid Sussex HA bid £10.6m and £11.Sm respectively. Significantly, the Serco bid was was based on generic working whilst the in-house team was based on the existing system of separate teams of staff for specific housing functions and activities.

CSL already had a base in Brent having won the Church End contract under VCT. CSL won the North Kilburn contract after the in-house team failed to cross the quality threshold although it was allowed to submit a bid. The council was strongly committed to externalisation and privatisation.

The level of private contractor bids was expected to be much greater in Lambeth where the level of commitment to in-house services was under scrutiny and at one stage there was even talk of preventing the in-house service from bidding. Hyde HA won two contracts but Johnson Fry, Jaygate and CSL bids but did not meet the quality criteria.

In-house teams won all but three of the 89 housing management contracts in Round 2 for contracts commencing on 1 April 1997. Swale Housing Association (an LSVT association from Swale BC) won one of the eleven Lambeth contracts covering 3,500 dwellings and two Wandsworth contracts were awarded to private contracts, one of which had previously been let under VCT.

Voluntary competitive - housing tendering in London

Five boroughs voluntarily tendered housing management contracts in the 1993-95 period but most of these contracts were retained in-house (see Table 1.13). However, the Bexley VCT contracts were significantly different from other housing management contracts in London. The borough wanted to achieve a large-scale voluntary transfer, hence there was no in-house bid. The borough was divided into two areas: the north with 4,000 dwellings covering some highrise blocks. Orbit HA won this contract with an £800,000 tender and London and Quadrant HA was awarded the southern area (mainly-small estates and individual properties) with a £770,000 tender for 4,300 dwellings.

Table 1 .13: **VCT Housing Management contracts in London**

Authority	Contractor	No. houses	Value £m	Length yrs	Start Date
Bexley*	Orbit HA	4,000	0.80	4	April 1994
	London & Quadrant HA	4,300	0.77	4	April 1994
Brent*	CSL	1,470	0.42	2	April 1994
Newham	In-house	7,800	3.00	3	Aug 1994
Wandsworth	Tooting - In-house	4,500	2.00	3	April 1994
	Ethelberg – In-house	531	0.16	3	April 1994
	Park Court – in-house	109	0.02	3	Aug 1993
	Harwood Court	418	0.10	3	Aug 1993
	Wendelsworth - Scotts	129	0.02	3	Aug 1993
Westminster	In-house	1,794	0.27	3	Sept 1994
	In-house	1,151	0.25	3	Sept 1994
	In-house	1,395	0.28	5	Oct 1995
	Johnson Fry	1,190	+0.24	5	Oct 1995
Total		**28,787**	**8.21**		

- No in-house bid. + based on a 'corporate discount' of £101,000. Source: Centre for Public Services, 1995

Tenant management schemes
Kensington & Chelsea have established a borough wide Tenant Management Organisation which has taken over control of the borough's housing stock.

Other transfer of responsibilities from local government

Waste Disposal: The regulation and client function of waste disposal have been transferred to the new Environmental Agency whilst local authorities were required to transfer responsibility for disposal of waste to Local Authority Waste Disposal Companies (LAWDCs) and to tender the transportation of waste.
Public transport: privatisation and tendering of London Transport bus services.

Social services: client/contractor separation, market testing and transfer of residential homes to Trusts or outright sale to the private sector (Wandsworth).

Other local authority services: CCT, VCT and externalisation, partnerships in economic development. Many of the contractors running services in local authorities are part of multi-national organisations.

Even where services have not been subjected to competition and have been retained in-house, they have often been subject to financial cuts.

Increased competition

The Conservative Government also turned inner city programmes into competitions. The Single Regeneration Budget (and previously City Challenge), Estate Renewal Challenge together with Capital Challenge, a new scheme for capital spending, have all been turned into national competitions. This has also contributed to fragmentation because separate companies or organisations are established to manage projects and the competition regulations reinforce current policies. Not surprisingly, local authorities believe they can only 'win' by implementing government policies such as externalisation, competitive tendering and transferring work to the private sector. So these competitions, which have less and less connection with social need priorities in London, are another means of fragmenting London local government into a project by project approach.

Economic development
Many London Boroughs have established various forms of partnership with private companies and developers in connection with economic development schemes. With 'partnership' now being heavily promoted, it is likely that the number of companies and joint ventures will increase rapidly. Viewed on a London-wide rather than simply a local basis, these partnerships will greatly increase the level of fragmentation.

Private Finance Initiative and public-private partnerships

Although the Private Finance Initiative (PFI) has not developed at the same pace in local government as it has in the NHS or the civil service, it was widely promoted by the Conservative Government and the local authority association sponsored Public Private Partnerships Programme (4Ps). A number of local authorities, including some London Boroughs, have developed PFI projects for schools and other facilities.

The PFI will further fragment local government in London because the ownership of assets transfers to PFI consortia and services split between core and non-core activities with the latter being carried out by private facilities management contractors. The transfer of staff to private contractors will inevitably lead to additional membership retention and recruitment problems for UNISON branches.

PFI regulations require the private consortia to retain ownership of assets with the local authority paying for access and use with a stream of revenue payments over the contract period, normally 25 years. It also means that each location has two employers, the local authority and the PFI consortia. Public-private partnerships will lead to a split in the asset base of local authorities.

Schools, libraries, leisure centres and other facilities will be partly owned and controlled by PFI consortia and partly by local authorities. In fact the split will be between new (privately owned and operated) and old (local authority operated) leading to further problems in maintaining public service values.

New Management strategies

In addition to privatisation and transfer of responsibilities to quangos, London boroughs have also adopted new public management strategies including:
• imposition of the internal market and commercialisation
• adoption of the enabling concept of local government

The adoption of 'new' internal management and organisational strategies by local authorities, completely independent of Government policy, has also contributed substantially to the fragmentation of services. Several London boroughs have been at the forefront of implementing new public management strategies in Britain.

Some local authorities have reorganised staff to ensure greater coordination and generic working. This may involve multi-disciplinary work and flexibility among staff.

Those London boroughs which have adopted the concept of business units have reorganised services and imposed a client/contractor split even when contracts are run in-house. Local authorities are required to separate client and contractor functions during the tendering process. Some have maintained a hard split, often leading to conflict rather than cooperation, in the delivery of services.

Once business units areestablished managers tend to have greater freedom to introduce new systems such as Performance Related Pay, some with a higher percentage bonus.

In one borough between 1500-2000 Westminster employees are on 10% PRP. Some authorities have introduced up to 25% of basic salary in performance related pay, as opposed to the standard local scheme of 10%. Managers have recently introduced arbitrary changes to terms and conditions such as new rules for sickness, lateness and dress codes, with savings in minor areas.

Ineffective management at senior and middle ranks was blamed for the lack of a strategic and corporate response to CCT during the 1990's in several boroughs. In one inner London borough, a range of disputes between management and unions contributed to councillors taking an unsympathetic attitude to direct labour. At the same time as several contracts were lost and the CCT team was disbanded, a market culture

was adopted internally with service level agreements across the council. The most recent service to be privatised in the borough included four sports and leisure management contracts.

Service level agreements have been introduced in central departments and most personnel and finance functions _have been devolved to departments. Restructuring has resulted in flattened hierarchies. However, management strategies have moved towards less consultation through the trade unions and more consultation directly with staff.

Public spending cuts and controls

Substantive cuts in both local and central government spending have played a crucial role in creating the conditions to encourage and facilitate the transfer of services out of local government control. Some London boroughs have suffered heavily from the Government's Standing Spending Assessments (SSA) whilst the Tory flagships of Westminster and Wandsworth have benefited from Government 'fixing'.

Increasing poverty

At the same time as fragmentation has affected services, the problems facing communities in London are worsening. This is starkly illustrated in research conducted by the London Research Centre " *The Capital Divided: Mapping poverty and social exclusion".*

It shows that London continues to home to the richest and poorest in the country and that inequalities are widening. Key findings of the study are:

* Of the 20 most deprived wards in the country, 70% are located in Greater London

* Most of the deterioration in deprivation was found in the south and was particularly marked in Outer London between 1981-1991. Much of Inner London remained very deprived compared with the nation as a whole.

* In 1979, the wages of the bottom 10% of London's male earners were equal to 64% of the average, but by 1995 this had fallen to 54%. Comparable figures for women workers were 68% and 58%.

* In 1995, 22% of women employees resident in London earned less than £4.26 an hour compared with 16% for men. Three-quarters of all part-timers with low wages were women. The proportion of people of non-white ethnic origin on low pay (33%) was double that of people from white ethnic groups.

High levels of unemployment

Unemployment rates in London now exceed the national rate at 12%, with an estimated 15% unemployed in Inner London and 8% in Outer London. 150,000 people have been without work for over a year. Unemployment rates in some wards are more than twice the Greater London average - 12% in July 1996.
(Latest figures to be added in)

More Londoners depend on state benefits
More than 1.5m people, including children are now reliant on income support. The numbers receiving income support has increased. In 1989, 15% of Inner London residents were on income support compared with 8% in Outer London. Comparable figures for 1994 were 23% and 13% respectively.

Many London boroughs have higher proportions of secondary school children receiving free school meals than the rest of the country. In 1994 more than one in two pupils in Lambeth, Hackney, Southwark and Tower Hamlets were eligible for free school meals.

Homes crisis

'Social housing' provides services for increasingly deprived tenants including 70% of London's lone parents, 60% of which have incomes below £7,500 per annum, half its black and ethnic minority households, half its pensioners and half its disabled people. Around 750,000 London tenants receive housing benefit, which combined with rising rents have led to an intensification of poverty and benefit traps. The London Research Centre has estimated that there are about 109,000 single homeless people in London.

Summary

The changing structure and functions of local government in London has severely affected the way in which a vast range of services are run. The impact of Conservative Government policies has resulted in privatisation and externalisation, the transfer of services to quangos and trusts, increasing competition for resources and the introduction of business concepts including new management strategies into many services.

The resulting fragmentation of services has particularly affected housing, social services, front-line manual services and education, but the impact has also reached most local government departments. At the same time, the problems of London are increasing with greater inequality and poverty across the city.

Staff and trade unions have on the one hand to respond to more intensive working, job insecurity, fragmented workplaces and demoralisation as a result of the policies documented in this chapter, but also they themselves are often facing increased pressure from users of council services who are facing increasing poverty and inequality of provision.

The enabling model of local government

The different forms of transfer, externalisation, privatisation and partnership are usually justified under the 'enabling model' of government. The acceptance of this concept lies at the heart of the fragmentation of London local government. Few Councillors and officers can explain what an 'enabling' local authority will look like in the longer term, let alone explain the potential implications for users and staff. Each proposal is debated and examined in isolation. Each decision is segregated and itself fragmented into 'client' and 'contractor' responsibilities with limited assessment of the corporate consequences.

Many people believe that the enabling concept of government is 'a good thing' but do not fully understand what it means in practice. It raises important issues such as the implications for Councillors, the potential weakening of control over service delivery, the impact on women and equal opportunities, the accumulative impact of selling council assets and the consequences of abrogating employment responsibilities.

The enabling concept is based on the following key elements:

• acceptance that widespread competition is the most appropriate method for achieving service provision. It also leads to an internal market where services which cannot be contracted out are subject to an internal trading framework including pricing and charging for services, market rules and trading accounts;

• an assumption that market forces are the correct way to allocate resources;

• the use of business, rather than social, criteria such as value for money, -profit ratios, and increasing productivity;

• a view that it does not matter who delivers the service and that employment conditions are not related to quality of service. Privatisation and the removal of democratic responsibility for services from elected political representatives. Under the enabling

model senior managers, rather than councillors, control local services and make use of the complicated contracting process and internal trading to push through changes;

• the considerable costs of restructuring and contracting out under the moves to an enabling model are ignored;

The enabling model has major implications for service users and workers. 'Enabling' means:

• services being based on the 'needs' of the private sector rather than the needs of existing or prospective users services;

• the management use of contracting out and privatisation as a means of centralising management control and achieving productivity increases;

• the break-up of trade union organisation through the fragmentation of the workforce into different contracts and employers;

• the introduction of locally negotiated pay deals to undermine local authority NJC pay levels.

The combined impact of these moves could lead to more fragmented, fewer and poorer quality services leaving the local authority with the less profitable and less attractive services private contractors do not want.

Part 2
The effect on services, users, staff and trade unions

Introduction

This chapter sets out the impact of fragmentation of council services on staff. Many of these factors relate to the direct effect of Government policy, others to the way in which policies have been adopted locally.

Local government in London remains a major employer, with 277,000 directly employed staff, two thirds of whom are women. Table 2.1 shows the breakdown by gender and by type of employment:

Table 2.1: **Employment in London Boroughs, December 1995**

	Male		Female		Total	
	FT	PT	FT	FT	FT	FT
Inner London	36,502	6,396	42,336	31,724	78,838	38,120
Outer London	35,701	6,694	53,630	54,798	89,331	61,492
London Joint Boards	6,999	451	614	843	7,613	1,294
Total	**79,202**	**13,541**	**96,580**	**87,365**	**175,382**	**100,906**

Source: Central Statistical Office L42 Survey

As a result of the major changes affecting local authorities, they have become smaller and sometimes less hierarchical. However, it should be remembered that they are usually a major local employer and remain extremely powerful in terms of their remit and influence.

The impact of fragmentation

The transfer of responsibilities to quasi-public bodies and quangos, privatisation and contracting out has fragmented state provision. It has had an impact on local government as a whole and on services, users, staff and trade unions:

The effect on local government

• **A loss of democratic accountability** with the establishment of business dominated new organisations, for example, Training & Enterprise Councils, where the public has no right of access to TEC meetings.

• **Policy coordination and integration of services is more difficult** and time consuming given the larger number of organisations involved who are responsible only for proscribed parts or specific services. It is harder to integrate services at a time when this is regarded as best practice.

• **Public money is distributed across a wide range of organisations** which makes overall and specific comparison extremely difficult.

• **Each organisation protects its own budget and retains underspends.** This results in the situation where LMS schools and TECs have substantial reserves, although the amounts vary widely, but they become the new untouchables. Local authorities and other public bodies have to make cuts in spending whilst they sit on reserves.

The effect on services

• **More short term and more narrowly defined service or business planning** with each plan covering only one service or one aspect or element of a service and each

organisation devising its own planning process, timetable and content and scope of the plan.

• **Loss of common corporate policies** and less monitoring of implementation because of the multiplicity of employers.

• **Loss of economies of scale** with each smaller organisation sourcing its own goods and services from the private sector. Current rules and regulations make it difficult for local authorities to supply services.

• **Leads to more contracting out** and reliance on management consultants.

• **User needs are more narrowly defined** because of the limited responsibility and purpose of each organisation.

Increased influence of business criteria and values.

The effect on users

• Proliferation of charters, league tables and customer complaints procedures but little real evidence that quality of the core service has improved.

The effect on staff

• **Reduced security of employment** because of threat of transfer to a new employer.

• **Loss of jobs and changes to terms and conditions** of employment during CCT or following transfer to new employers.

• **Loss of trade union representation**.

The effect on trade unions

• **It is more difficult to represent and organise staff** in trade unions because of the larger number of smaller workplaces and the multiplicity of employers.

Positive aspects of fragmentation

Not all aspects of fragmentation have been negative. Devolving powers through decentralised decision-making to schools can be beneficial, the establishment of new organisations can give them a clear specific focus on a particular service. It can also help organisations to be more innovative in service delivery than they might otherwise have been. However, decentralisation has also been used to devolve responsibility for spending cuts. It has also been accompanied by increasing centralisation of policy making.

The effect on local government

Organisational change

There have been substantial organisational changes as a result of the transfer of services, externalisation and privatisation. These include the separation of client and contractor responsibilities, the establishment of stand-alone Direct Service Organisations (DSOs) and the formation of business units within local authorities. Part 1 detailed the formation of TECs and other organisations as a result of the transfer of responsibilities from local authorities to new or independent organisations.

Democratic control and accountability

Democratic accountability has been eroded as new bodies have been established with no direct control by elected bodies having diffuse lines of control with business interests accountable to no one.

The erosion of a firm commitment to in-house services and DSOs has led to further

fragmentation of services. A significant number of Labour Councillors were reported to believe that externally supplied services could be better, particularly if they produced 'savings' which could be used in committee to offset cuts elsewhere.

Accountability to the council and in turn to the local community dissipates as a result of service fragmentation. Where fragmentation has been greatest, there does not appear to have been greater resources put into monitoring services. Once contracts have been awarded or services transferred out of local authority control, many private companies and quangos have sought to distance themselves from the local authority and part of this strategy has involved weakening the power of trade unions and trade union representatives. This has been easiest where trade union organisation has been weakest.

Ownership of assets

Local authorities have generally retained ownership of facilities, such as leisure centres, whilst contracting out their operation. However, this is set to change under PFI and public-private partnership proposals and public-private partnership proposals

The cost of fragmentation

There has clearly been a cost of fragmentation, although not surprisingly, no organisation has taken responsibility to itemise the costs. ‘Savings’ will also be claimed but are very difficult to identify. There has also been the loss of certain economies of scale as each organisation moves to ‘new’ offices, markets and promotes its own services.

Information

Another consequence of fragmentation is the dispersal of information and the narrowing of national perspectives to the remit of the organisation. Building up a picture of the impact of policies thus becomes a much more onerous task.

The effect on services

Service planning

Service planning has become more narrowly focused at a time when there is wider recognition that 'problems' require a more comprehensive and integrated approach. The transfer of responsibilities and externalisation results in each organisation producing their own business plan which is confined to their own agenda and responsibilities. Service planning has also become more geared to income generation and to activities which can be readily implemented to secure income.

Implementation of corporate policies

The transfer of responsibilities, externalisation, partnerships and contracting out all make the implementation of corporate policies more difficult and complex. Whilst contractors and partners will invariably make initial statements confirming their agreement with the authority's corporate policies, this is usually done in the knowledge that they are not enforceable nor are they likely to be monitored. The only practical alternative is for corporate policies to be built into contracts so that they are enforceable and for adequate client monitoring resources to be made available so that their implementation can be tracked. Otherwise, fragmentation undermines the value of corporate policies and reduces them to rhetorical targets as opposed to policies for implementation.

Management

Trade unions need to urge councillors and managers to counter the trend towards commercialisation of services and adopt best management practice from a public service viewpoint. This is essential if equal opportunities is to remain a dominant

feature of local authorities as "good employers", and services are to survive in a fiercely competitive environment. The client/contractor split and the restructuring of services must be carried out with a clear strategy.

The monitoring and evaluation of contracts is one of the least developed techniques of public management. Monitoring officer posts are often the first to be cut to achieve spending cuts.

The effect on users

Service users have been bombarded with charters and customer care initiatives which have limited impact in terms of the core quality of the service they experience as users. Surveys of users have not been within the scope of this project, and whilst some forms of fragmentation are not discernible to users as long as services perform to requirements, this is not the case when problems arise. Fragmentation invariably results in organisations passing on responsibility between client and contractor or purchaser and provider. However, councils are usually still seen as being responsible for services although they may be provided by private or voluntary organisations.

The effect on staff

There was a general view from the case studies that manual staff had been hit harder by the fragmentation of services in terms of the scale of changes, but that white-collar areas had also undergone major changes culminating in a range of problems for staff. Fragmentation of services has also affected the position of staff remaining in the local authority.

In one case study borough the council threat to withdraw from national terms and conditions was defeated by UNISON. The council also wishes to extend personal contracts to all senior management grades. The union estimates that 300 staff are already on personal contracts as a result of a voluntary scheme to sign up. In addition, if staff are promoted they are also required to take on local grades. Some 40 UNISON members were transferred out of the local authority to a college under TUPE in 1993.

The number of support staff in the college has increased but efficiency gains are being sought through a squeeze on wages and conditions of employment. All staff now work a longer working week - 37 hours rather than 36. Most lecturers are now employed under new contracts and UNISON are concerned that support staff contracts are under scrutiny for savings. For example, a review of technicians work proposed that they become workshop supervisors, a role traditionally undertaken by lecturers. Two shop stewards are given one hour a week each for trade union duties and office facilities. The employers have also introduced a College Employers Forum. The union fears a move away from national negotiations to local bargaining.

In another case study borough, there have been a number of major disputes with staff over terms and conditions of employment during the 1990s. In addition approximately 1500 jobs were lost in the borough between 1991-1993. The council is constantly seeking to reduce labour costs. Following a three year dispute the council has revised local agreements. These were among the best in London for maternity leave, dependency leave, flexitime arrangements etc. At the same time the council introduced a two-tier workforce where new contracts were given to all new staff and those promoted within the council.

In February 1996 the council issued notices of
termination to all staff (about 4,000) on old contracts. These staff were re-engaged the next day on inferior contracts with reduced sick leave, dependency leave and restricted flexible working rights. The move particularly affects women with dependents and people with disabilities by removing flexibility and time-off entitlements. Managers are now all on an open ended contract in terms of hours, which is clearly discriminatory in

terms of women managers in the council.

This borough was at the forefront of equal opportunities policies in local government during the 1980s. This has been eroded, particularly with the introduction of the new contracts. It was reported that there is more abuse of appointments procedures, little consideration for positive action and in the restructuring black people and those with disabilities have been disadvantaged. Although the council does meet its target of employing 53% women and 12% black staff, there is great variation between departments and grades.

There are very few women and black people at senior grades. The council originally had a target of employing 8% with disabilities which was never achieved. On relaunching the council's equal opportunities policy in 1995, the council reduced the target to 4%. In practice the number of staff with disabilities has reduced with staff leaving through early retirement schemes, sickness and increasingly intensive working practices.

In addition the council spent over £7m on agency staff in one year alone (see Table 2.2). This is equivalent to employing nearly 500 full-time staff for a year.

Table 2.2: **Expenditure on agency staff in one borough, 1995/96**

Department	Expenditure
Housing	£952,707
Leisure and Community Service	£198,000
Social Services	£3,814,354
Education Directorate	£9,000
Environment	£1,142,489
Chief Executive	£1,161,817
Total	**£7,278,367**

Source: Council Meeting 22/7/96: Reply to question by the Chair of Corporate Services Committee.

The use of agency staff has grown dramatically over the last five years in response to management demands for flexibility. In one borough half of the expenditure on agency staff is in social services where they are used to cover annual leave, sickness and other absences. In addition, because of a dispute between management and trade union over new contracts, between 1993-1996 the council had staff doing the same jobs on different contracts leading to divisions and a change of culture within the borough. In terms of equal opportunities the council is now backtracking on previous progress. As one convenor explained: “On the one hand the council valued diversity over service provision, but also wanted flexibility by removing the rights won in the 1980s .. "

The first tranche of housing management contracts were won in-house in the same authority. However, this followed a reorganisation in which all jobs were deleted and staff had to apply for a newly defined job. About 70 staff were displaced and 40 sought IT claims, most of which were settled out of court. Ironically at the same time as redundancies were made, vacancies also arose. The workload in the department has increased with associated stress, demoralisation, sickness and absence.

The effect of externalisation

Greenwich Leisure Limited is one example of a service transferred out of local authority control. It was established as a workers cooperative in 1993 to operate leisure services (see Part 1). ACTSS represents 90 out of 120 staff and their branch secretary has a seat on the Board which has 18 members with 3 Councillors, 2 user reps, 1 TU rep and 11 worker coop members. Although the cooperative was established with the best of intentions, the reality of being an economic entity outside of the local authority has meant:

- Management have pressed at every opportunity to change terms and conditions;
- The management line is that it is no longer part of the local authority but operates in the private leisure sector and therefore has to be competitive. Managers consider that staff are "overpaid' compared to private sector;

- Key decisions are made by executive sub-committees and it is difficult for other Board members to challenge management decisions;

- The cooperative does not use council services and performs its own payroll, private security for cash collection etc;

- It is competing for contracts in the Greater London region and operates a leisure centre in Waltham Forest;

- Encountered health and safety problems with casual staff previously carrying out key tasks;

- "Everything you would expect from a private contractor"

The relatively high level of union membership has been a key factor in preventing management from implementing many of the planned changes.

In many boroughs, departments have introduced performance related pay, personal contracts. Many new jobs are temporary (less than two years) or fixed term (between two and five years).

The effect on trade unions

Transfers, externalisation and privatisation have led to greater uncertainty and insecurity of employment both for those who have transferred and, in some cases, for those remaining in DSOs or other more vulnerable sections.
Branches are now confronted with a multiplicity of employers in place of the local authority.

The reorganisation of work to reduce operating costs has altered the content of many jobs and skills with a greater demand for flexibility amongst employees and more casualisation including increasing part-time work and temporary employment. Women have usually made up a large proportion of the increasingly flexible workforce.

There has been a considerable change in culture amongst staff working in local government. There is the fear factor, but also new staff, especially young managers, with no trade union traditions and no understanding or recognition of the importance of trade unions. This approach relates to the rights of individuals, not the collective traditions of trade union organisation. A new management ethos emerging which does not recognise the need for bargaining and negotiating the management of change.

Loss of members

The decline in local authority employment in many London authorities has inevitably had a direct effect on trade union membership. Many members have been lost through contracting out services as a result of CCT.

In some London boroughs, several thousand jobs have been lost or transferred to other employers as a result of privatisation and externalisation through voluntary competitive tendering since 1990. Membership levels also reduced during the 1990s because of:
* High staff turnover
* Increased casualisation with large numbers of temporary and agency staff
* Divisions between trade unions
* Failure to recruit staff on new contracts

Consequently branch organisation has suffered. In one borough, although there is still

strong membership in housing, leisure, environmental services and finance there are also a number of departments where members have left and have not been replaced by new recruits. Education is a particularly difficult area, with 120 schools and an estimated fewer than 30% of non-teaching staff in the trade union.

Recruitment and retention of members

Once contracts have been privatised, it is clear that there is often a rapid staff turnover which affects retention of union members. For example, one contract transferred 33 staff to a private contractor in 1990 but only three of the original staff remain. New staff have been employed on inferior terms and conditions of employment.

A fear factor was reported by several branches. Once staff have moved from local authority employment there is often a sense of fear amongst staff in terms of trade union involvement. Even existing trade union members often felt the need to meet away from the workplace.

Retention of membership tends to be strongest in cases of transfers where membership was previously strong and well represented. Trade union involvement of women members, especially those who are part-time and low paid, has always been low and in some sectors, such as market testing in community care and CCT in building cleaning, many staff are poorly represented. However, where efforts had been made by branches to specifically involve members, particularly where jobs have been under threat from contracting or restructuring, there have been increased levels of union activity. Recruitment is often most successful where particular issues or campaigns directly affect staff.

Representing members

Several branches reported greater difficulties representing members, particularly in schools. Trade union membership has been maintained but branches find that schools apply agreements differently, 'doing their own thing', which often leads to problems which affects members singularly or in small groups. This is time consuming for UNISON branches, particularly when there are fewer members willing to become active in the branch.

Representation of women workers in education remains particularly difficult in the cleaning sector where privatisation, transfers, weak membership and high staff turnover have all served to make trade union organisation difficult.

Representation in the private/voluntary sectors

A number of problems have arisen during the last decade in terms of trade union organisation in fragmented and privatised services. These include:
* Loss of members
* Derecognition
* Reduction in time off for trade union duties
* Plethora of employers with whom to negotiate
* Lack of facility time for shop stewards in private and voluntary sectors
* Marginalisation from the branch which is still primarily oriented to the local authority.
* Difficulties for branches in terms of following members to new employers.
* Demoralisation resulting in lack of participation by members in the private sector.

Some branches have many members outside the local authority including college sites, sports centres and social services and contracted out facilities in addition to membership in the voluntary sector. Some branches have increased membership in voluntary organisations by having one branch officer responsible for the organisation and representation of voluntary sector members.

The focus of the main local government branch appears increasingly problematic for

some members in the private/voluntary sectors. The problems of fragmentation were highlighted by the case studies as increasingly complex and legalistic issues to cope with.

Recruitment in services contracted out to private contractors has been very difficult but there have been some notable successes. For example, following a concerted UNISON campaign in Westminster 250 out of Onyx UK's 600 staff are branch members. A subsidiary of Generale des Eaux, Onyx has a £12.7m twenty one year waste transfer contract and a £116m waste transport disposal contract for a similar period. By contrast the trade unions in other boroughs have had great difficulties recruiting and maintaining membership in private contractors.

Branch structure

Many branches have not adapted to new circumstances. They have not recruited in the private and voluntary sectors, changed meeting times nor devolved responsibility within the branch. Some branches have lost senior and experienced stewards and branch officers who have moved with the transfer of colleges out of local authority control. The benefits of good organisation in the college are no longer shared with the remaining local authority members.

The Careers Service in London has been transferred to the private sector in nine contracts. The region has appointed a lead branch for each careers contractor with the branch responsible for servicing members previously under the responsibility of individual local borough branches. From a union point of view they are now working for private contractors and negotiations with the borough will no longer encompass careers staff.

Stewards organisation

There was widespread recognition of the need for more stewards on the ground in the London boroughs. Fragmentation has led to weakness in shop stewards organisation arising in particular areas, for example, where there are fears of job loss, loss of momentum and demoralisation of staff. In addition, lay activists are expected to take on increasingly complex areas of work at branch level. Examples include legal cases and grievances, which within the framework of privatisation and fragmentation, are less straightforward and take a greater amount of time and resources.

Shop stewards organisation has weakened in the areas where business units were established. There have been problems of representation with problems not being identified. However where departmental representatives meet with Chief Officers on a regular basis, a working relationship has been established where issues are discussed and presented.

Several branches identified a lack of involvement by younger members of the branch who may be willing to distribute information but are unwilling to be actively involved in disciplinaries etc. More resources are expended on individual cases with more stress on activists and less stewards willing to stand.

The social services convenor in one case study borough organises monthly meetings for shop stewards and coordinates a monthly newsletter for all members reporting on issues and campaigns. This is felt to help with recruitment and retention of members since the union is seen to be working in their interests. In addition, the social services department has its own union office which is easily accessible to members; this helps the organisation and identity of the union in the department.

Branch resources and organisation

Where policies of externalisation and privatisation have been pursued, councils are usually unwilling to pay for work spent by branches on private sector contracts.

In some boroughs the local authority has used the fact that so many services are privatised to seek cut backs in trade union facility time. In one of the case study boroughs, management is seeking to merge the manual and officer side and cut facility time from two to one post. In addition the council wishes to cut the secretaries post, which is directly appointed by management, to half time. This council is also developing the concept of a works council, as part of the argument that the trade unions have a low membership level among the council workforce.

In another case study authority management is seeking to reduce trade union staffing from four to two full-timers. If this occurs the unions problems will be exacerbated since branch officers are now more involved in negotiating situations which is time consuming as there are fewer shop stewards willing to take on the work.

In many boroughs there is very poor trade union organisation in schools with only a few manual workers still union members. This reflects the isolation of members in dispersed workplaces and lack of experience of working with other members.

Where convenors cover a large service, shop stewards organisation appears to be stronger. In one borough the branch has convenors in education and social services. The social services department has 50-60% trade union membership with increasing recruitment resulting from improved organisation and 14 shop stewards covering 18 shops.

New stewards are expected to attend TUC courses and a five day programme on grievances, disciplinaries etc. Every new starter in the department receives a recruitment package and the relevant steward is given the responsibility of reporting back to the union on whether the member wishes to join. Unemployed members and recent leavers are also contacted about whether they wish to remain in the branch.

Bargaining

Each individual school now has responsibility for personnel issues under LMS. The introduction of LMS and the increase in the number of grant maintained schools has resulted in the trade union having to negotiate with large numbers of small employers. In schools there have also been problems since many headteachers and governors have little knowledge of employment law. However, because of fragmented membership and weak trade union organisation in many schools, employers are not being challenged.

In one borough, the union makes recommendations to the Education Department, but schools also have to be approached individually. This can involve a great deal of time and resources, especially as most of the 60 schools in the borough have no UNISON stewards. It is left up to the discretion of Headteachers whether stewards are given time off and a lot of advanced notice is required in terms of meetings.

In one case study borough stewards at the FE college have faced many arguments about consultation, negotiation and information sharing. The union has sought mutually agreed results, though with new styles of management this has proved difficult.

In another case study borough there is less central negotiation and consultation, with more hostility from councillors and some managers to trade unions generally. The Joint Staff Committee has few fruitful negotiations and joint working is very limited. Some managers are seeking to marginalise trade unions and seek to negotiate with individual staff rather than through shop stewards and the branch. As a result established procedures are often by-passed by managers and trade unions usually consulted very late in terms of reorganisation and restructuring proposals.

TUPE

Although many members have been transferred to the private sector under the TUPE

regulations very little work has been done on the ground in terms of monitoring the changes once privatisation has taken place.

Examples need to be investigated further. In one borough over 60 staff in the homes for elderly staff run by Alphacare have had their wages reduced by £2,000 per annum. In another borough's refuse and street cleaning contract, the TUPE transferees have fared better than staff employed since privatisation. The contract specification requires seven day working - at the same time overtime rates were reduced. Three social services homes in one borough were taken over by Shaw Homes and after two years the company is seeking to replace TUPE transferees with staff on company contracts.

In several cases of voluntary tendering of white-collar services, authorities have sought to involve staff and trade union representatives in visiting contractors and putting forward views on the companies track record and issues for staff.

Promises made by companies have not necessarily been carried through and trade unions need to be extremely well prepared and make a critical assessment of the outcomes. For example, in spite of legislation and promises to staff companies often make staff redundant within weeks of the contract commencing. Some contracts have suffered from union derecognition, whilst others have benefited from national trade union recognition agreements with contractors.

Part 3
Policy Issues

Introduction

This final part highlights some of the key policy issues which could help to reduce the fragmentation of local government.

Further fragmentation

The extent to which Conservative Government policies and those of some Boroughs have led to the fragmentation of local government in London was documented in Part 1. Unfortunately, fragmentation is forecast to increase, due mainly to the increasing use of the Private Finance Initiative in local government and the continued privatisation of council housing via Local Housing Companies or Large Scale Voluntary Transfers.

DSOs and white collar services are likely to remain under pressure from private contractors offering facilities management contracts supplying a wide range of support services. A gradual loss of work is likely to undermine existing DSO operational systems and economies of scale. The need for local authority innovation has never been greater.

Policy issues

The reversal of all policies which have caused the fragmentation of local government is neither desirable nor practical. However, there are policy initiatives which could improve the planning, coordination and delivery of public services in London. For example, the Labour Party proposes a directly elected strategic authority for London which should improve strategic planning in the capital.

This study has highlighted the need to consider other policy initiatives including:

Abolition of CCT and market testing: The immediate abolition or change in the regulations to give local authorities exemption from tendering will substantially reduce further fragmentation as a result of contracting out. The process by which the regulations and legislation can be changed and the 'replacement' of CCT by best practice public management is currently being examined by the trade unions, local authority associations and the Labour Party.

Commitment to effective in-house service provisron and the termination of privatisation and externalisation: The termination of competitive tendering alone will not be sufficient to prevent further externalisation or privatisation of local authority services in some London boroughs. Whilst the majority of externalisations have been carried out in just eight boroughs, the trend is likely to continue unless there is a renewed commitment to and recognition of the value and benefits of directly provided services.

Putting equalities into practice: Fragmentation has been part of the process undermining equalities policies over the last decade. Contracting, the transfer of services and adoption of the enabling model of government contribute to reducing the role of the local authority as a 'good' or 'model' employer. Women, black people and those with disabilities still remain concentrated in lower status and lower paid jobs within local government. Clear strategic decisions need to be taken in terms of revitalising the equalities debate and implementing policies on the ground.

Quangos: A planned and phased transfer of quangos to local democratic control is essential. The extent to which this involves remerging activities, resources and management will vary widely. Appointing Councillors, trade union and user representatives onto the boards of quangos could be a first step.

Financial resources for local government: Removing or relaxing the tight spending constraints and capping on local government will be important to reduce the financial crises which drive externalisation and privatisation.

Public-private partnerships and private finance: There have always been partnerships of one form or another between local government and other public, private and voluntary bodies. However, the new enthusiasm for partnerships will inevitably lead to a proliferation of companies and joint ventures, further fragmenting local government in London.

Proposals to amend the PFI regulations to account for future liabilities in Government spending and budgets, streamline procedures, prioritise projects in line with Government policies, promote more genuine partnerships and sharing of risk to define the boundaries between core and non-core activities are unlikely to change the thrust or number of PFI projects. The traditional funding of capital projects such as schools, council housing, libraries and other facilities remains the most effective mechanism. financially and operationally, in providing the infrastructure for public services.

Public management: The adoption of commercialisation strategies, of making local authorities mirror private companies with business units operating with business values (the Westminster model) has also contributed to the fragmentation of local government. In addition to the policy changes noted above, new approaches in public management are required based on re-establishing a public service ethos, quality services, good employment policies and the implementation of corporate policies such as equalities and social justice.

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