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Coalition update

Coalition takes its pound of flesh

The Tory-LibDem Coalition has announced £6.25bn of immediate cuts to public spending as a taste of deeper cuts expected in an autumn spending review.

The growing list of casualties already includes:

- **£5m** cut from child literacy support
- **£5m** cut from staffing for children’s playgrounds
- **£10m** cut from childcare to help adult learners
- **£88m** cut from culture, media and sport
- **£125m** cut from police services (see overleaf)
- **£200m** cut from higher education funding
- **£230m** cut from housing and regeneration
- **£247m** cut from environmental programmes
- **£270m** cut from regional development support
- **£311m** cut from local children’s services
- **£320m** cut from employment schemes

Former Bank of England economist Danny Blanchflower warned that “these cuts will be a disaster for ordinary working people who will see their living standards fall and unemployment rise.”

Positively Public quote of the month!!

“The Conservatives’ so-called efficiency savings are particularly dangerous. They have no clue where or how these ‘efficiencies’ will be made, making it likely they will be nothing more than a smokescreen for job cuts.”

Vince Cable (before the election) on Tory spending plans (which he is now implementing)

Marketisation set to accelerate

Health and education services are about to be hit by a new wave of market and commercial forces.

Michael Gove’s Academies Bill is designed to take a rising share of primary and secondary school provision outside local authority accountability and national bargaining frameworks. Specialist education firms and the support services industry expect to profit from a more fragmented, deregulated system. VT Group, Serco and EdisonLearning all hope to take a bigger role in the direct running of schools while Capita is specialising in pupil data services (see overleaf).

In the health service the Coalition says it is committed to “much greater involvement of independent and voluntary providers” and will abolish Labour’s “NHS first” policy to clear the way. Key beneficiaries are likely to include Care UK (the private equity health and social care giant that bankrolled Andrew Lansley’s office) and General Healthcare (whose chair Peter Gershon advises the Tories on “efficiency”). Ministers will also be receptive to new calls from Monitor, which regulates the NHS market, for Foundation Trusts to rely more on private income and finance.

Future of private finance deals unclear

A number of pending PFI and BSF (Building Schools for the Future) projects have been put on hold as part of the coalition government's review of immediate public spending plans. But the long term role of private finance in public service delivery remains unclear.

Seven imminent PFI schemes are now being reassessed: police stations in Avon and Somerset, the Royal Liverpool Hospital, waste facilities in Buckinghamshire, fire stations in Stoke and Staffordshire, police headquarters in West Yorkshire, highways in the Isle of Wight, and street lighting in Warrington. Meanwhile as many as twenty BSF schemes at various stages of procurement are now in question, including three (in Camden, Ealing, and Salford and Wigan) that have reached preferred bidder stage. Councils are concerned that they may be liable to pay damages to bidders if contracts are cancelled.

Both the Tories and the Liberals adopted popular criticisms of PFI while in opposition (see October 2008 briefing), and they have promised to end its use to keep taxpayer liabilities "off balance sheet". But given both parties' enthusiasm for increasing the role of the private sector, and planned cuts to public spending which are likely to hit capital budgets especially hard, it seems unlikely that we will see a return to conventional public procurement.

Last year George Osborne said that under a Conservative government PFI would be replaced with new ways of leveraging private sector investment.

Mark Hellowell of Edinburgh University has suggested that the Tories may look for a way of reducing public sector involvement in the specification of capital projects and separating design-and-build contracts from ongoing management and service contracts which could be exposed to short-term market forces.

It is also likely that the Conservatives would seek to finance infrastructure investment through user charges, such as increasing reliance on road tolls.

Privatisation News

Tube PPP buy-out

Transport for London (TfL) will buy out the Tube PPP consortium Tube Lines in a £310m deal. In October Positively Public briefing reported that Tube Lines had been criticised over delays, caused by slow progress with upgrade works. At the time Tube Lines was the only remaining London Underground PPP contract, following the bail out of Metronet. Tube Lines is the second acquisition by Transport for London in weeks. Last month we reported that TfL had purchased the Oyster brand from TransSys Consortium, saving millions of pounds.

Capita expansion continues

As reported in previous Briefings (see especially December 2009), Capita is positioning itself to gain an expanding share of public service contracts.

Latest acquisitions include Ramesys, a specialist education firm providing IT support to several Building Schools for the Future (BSF) projects, and Premier Medical, a provider of medical reporting and screening services to NHS Trusts across the UK, which Capita bought out for £60m. The firm has also recruited Beverly Bryant, Chief Information Officer at the Department of Health, to head up its healthcare division. Bryant is credited with the creation of the NHS Choices system, which Capita is currently operating under a £60m three-year contract.

Despite this Capita has warned that jobs at its Blackburn and Darwen centres, which run outsourced services for a number of councils and public sector bodies, could be affected by the new government's drive to squeeze contract costs. And in Sheffield itself UNISON has protested against the removal of redundancy protection from former council staff who were transferred to the firm after it took over a payroll, revenue and benefits contract from Liberata last year (see previous Positively Public Briefings). The firm is reported to be considering cutting staff levels by 20%, with 18 redundancies.

Local Campaign News

Police services hit by funding squeeze

Police services up and down the country are being hit by a funding squeeze that is set to worsen as the new coalition's cuts kick in. New police minister Nick Herbert has claimed that "savings can be achieved by driving out wasteful spending on support functions."

But UNISON's Devon and Cornwall Police Branch is campaigning to maintain the accessibility of police services as station opening hours are cut to save costs. And in Cheshire UNISON is challenging proposals to slash so-called "back office" staffing which the union says would mean fewer police officers on the beat.

Other areas now facing imminent police cuts include Humberside (£2m), Lancashire (£3m), South Yorkshire (£3m), Cumbria (£1m), and Somerset (£9m).

Unions challenge tendering plans

Unions have criticised Highlands Council, Scotland, for advertising the jobs of ground maintenance staff without consulting them. The council placed the advert on the "Public Contracts Scotland" website, where private firms bid for services previously delivered by the public sector.

The GMB and UNISON have expressed concerns that privatising grounds maintenance work would lead to the loss of hundreds of jobs and threaten the pension rights of workers. But the council is now pressing ahead with tenders in a bid to achieve an outstanding £36m, three-year budget saving.

Bournemouth bidders shortlisted

Bournemouth council has entered into negotiations with two shortlisted bidders – Mouchel and Capita – to run its ICT, revenues, benefits and facilities management departments. Last April Positively Public Briefing reported that the council had refused appeals to allow existing staff to submit an in-house bid.

Edinburgh outsourcing already costs

As reported last month, UNISON is mounting a vigorous campaign against Edinburgh council's plans to outsource key services including bin collections, street cleaning and school meals.

The union has now highlighted the fact that the Council has already committed £1.2m to legal firm Eversheds to advise on the plans. This is on top of £6m spent on consultants in the past 18 months. "If they spend £1m on how to privatise, we think they could spend a fraction on speaking to people in-house and seeing how they can make the service better" said Branch Secretary John Stephenson.

The Council added insult to injury this month by spending £5,000 on an Edinburgh Castle drinks reception for company representatives attending a conference on "shared services and outsourcing".

Lancashire secrecy under fire

An opposition councillor has attacked plans to outsource the county's IT-related services.

Lancashire County Council is advertising a £1.9bn ten-year contract to provide services to its twelve borough councils as well as Cumbria County Council and other local bodies including Lancashire's police, fire authority, and two universities. The contract notice was issued without any consultation with staff or trade unions.

Cllr Paul Cotterill has received an apology after being told staff had been informed by email, which turned out not to be the case. But the main problem, he says, is that still no details have been shared with staff or councillors.

"Plans are being carried forward behind closed doors for the sell-off of all services which relate to 'customer access' in the council", he said. "This Tory council's attitude to transparency, and its total disregard for the staff it claims to hold in high esteem, is a disgrace."

Reports

Libraries delivering public value

Studies by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Museums, Libraries and Archives Council (MLA) show how public libraries are making a vital contribution to local communities.

The study by CIPFA shows that the lending of children's fiction in 2008-2009 has risen sharply and that library services continue to be valued by communities. Julian Mund, CIPFA's Director of Operations, said: "It is very encouraging to see from the survey that books are continuing to play an important part in our children's education. While many are now making use of online services, it is clear that libraries remain as popular and relevant as ever."

A new study by the Museums, Libraries and Archives Council (MLA) shows that libraries deliver health and well-being support to communities, who value them. One hundred and eleven public libraries reported a total of 1,109 current activities that are related to the health and well-being, with a further 107 in preparation at the time of the survey. Activities included "health information, providing community space, Books on Prescription and online activities such as computerised behavioural therapy sessions".

Despite all this library services are likely to be hit hard by the Coalition Government's spending plans. The Department for Culture, Media and Sport (DCMS) is to face a £88m (3%) cut in this year's budget, with the MLA, Public Lending Right (PLR) and the Arts Council all taking a 3% funding cut this year.

Guy Daines, policy director at the Chartered Institute for Library and Information Professionals, said that he "expected a raft of announcements about library service cuts this year, as local authority budgets will suffer overall". He said that Hampshire County Council's plans to restructure the library service with a loss of 65 posts last month, is probably one of the first.

International News

US government reins in outsourcers

The Obama administration "is creating a new test for agencies to use when deciding whether it is appropriate to outsource work to contractors", believing that too much "inherently governmental functions" which "needs to be reserved for federal employees" is being done by private contractors.

According to Budget Director Peter Orszag "overreliance on contractors can lead to the erosion of the in-house capacity that is essential to effective government performance. Such overreliance has been encouraged by one-sided management priorities that have publicly rewarded agencies for becoming experts in identifying functions to outsource and have ignored the costs stemming from loss of institutional knowledge and capability and from inadequate management of contracted activities."

The Office of Federal Procurement Policy (OFPP) has issued guidance which attempts to clarify the definition of "inherently governmental functions" and calls on agencies to decide whether to bring the jobs back in-house. The new guidance gives examples of inherently governmental functions, such as applying government authority or making value judgements in monetary transactions. It also urges agencies to avoid outsourcing jobs to protect the government against any undue influence by contractors.

America is learning about the problems of outsourcing and privatisation, and it is seeking to protect the public interest by limiting the outsourcing of services.

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