

# **PRIVATE FINANCE INITIATIVE**

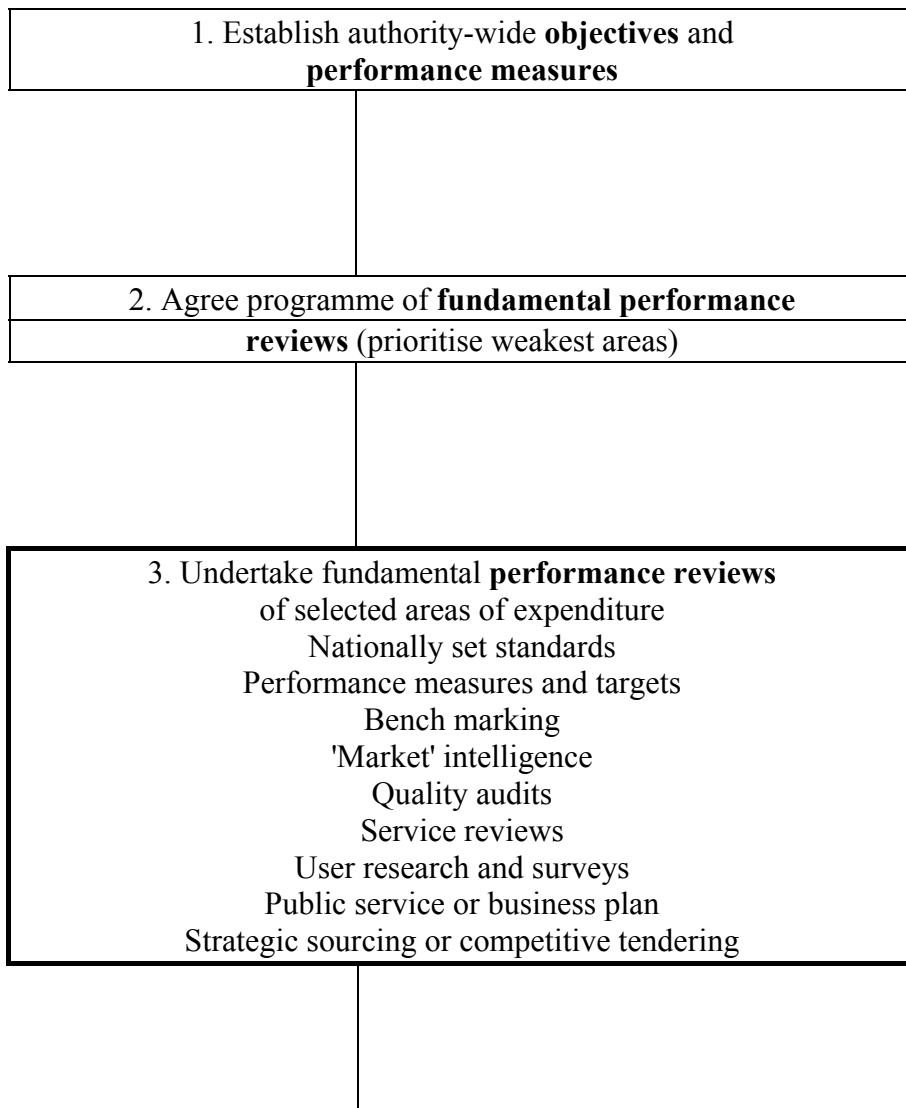
## **Pay for It Indefinitely?**

## **Resources**

**A one day course on the Private Finance Initiative in  
Local Government**

<p><b>UNISON</b> <b>Learning and Organising Services</b></p>
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## THE BEST VALUE PERFORMANCE MANAGEMENT FRAMEWORK



4. Set and publish performance and efficiency



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5. Independent **audit/inspection** and **certification**

6. Areas requiring intervention referred  
to Secretary of State

## **ULG/40/2002**

Sandra Howell ext 339

To: Secretaries of Local Government Branches  
(Scotland and Northern Ireland – for information)  
Regional Heads of Local Government  
Registered Professional/Sectional Bodies - for information

30 July 2002

### **Draft Government Circular on Best Value and Performance Improvement**

**This circular summarises the Government's draft Circular on Best Value and Performance Improvement and requests responses from branches by Friday 23 August 2002.**

The draft circular produced by the Office of the Deputy Prime Minister entitled "Best Value and Performance Improvement" applies to all Best Value authorities in England and Fire Authorities in Wales. Separate guidance is provided for town and parish councils. The Home Office will produce separate guidance for police authorities and the Department of the Environment Food and Rural Affairs will issue separate advice for the Broads Authority and National Park Authority. The guidance replaces the existing statutory guidance on Best Value DETR circulars 10/99 and 02/01. It is available on [www.local-regions.odpm.gov.uk/consult/performance/index.htm](http://www.local-regions.odpm.gov.uk/consult/performance/index.htm) If you cannot download it, please contact the Local Government Service Group for a copy.

#### **Summary of Key Proposals on Workforce Matters**

- Local authorities will be under a statutory duty to consult recognised unions, employees' associations, and staff throughout the best value process with full disclosure of information on all matters affecting the workforce
- Contractors should also have policies which ensure good communication and consultation with the workforce on key issues following a transfer

- New legislation making statutory within local government the provisions in the Cabinet Office Statement of Practice on Staff Transfers in the Public Sector and the annex to it, A Fair Deal for Staff Pensions
- A new Code of Practice on the treatment of new recruits working on local authority contracts alongside transferred staff. The Code is to be supported in statutory guidance and written into individual contracts between local authorities and contractors
- Under the Code the service provider will be required to offer new recruits :
  - Membership of the local government pension scheme or;
  - Membership of a good quality employer pension scheme. For a defined contribution scheme the employer must match employee contributions up to 6% wished or;
  - A stakeholder pension scheme under which the employer will match employee contributions up to 6%.

### **Involving Staff in Reviews**

The Government has conceded a key matter on which UNISON has long campaigned since the inception of Best Value a duty to consult staff and trade unions. At paragraph 38 of the draft circular it states that “in reviewing functions, authorities must consult recognised unions and employees’ associations, and staff engaged in that function. The Government intends to give statutory effect to this through an amendment to Article 6 of Statutory Instrument 1999/3251”. Furthermore, “the mechanisms for involving staff and trade unions should be set out clearly, including how the views of staff will be taken into account in decision making processes”.

### **Valuing the Workforce**

Whilst acknowledging that these proposals are small steps in the right direction, UNISON views them as a missed opportunity for the Government to introduce mandatory fair wages and fair employment legislation in local authority contracting.

The draft circular reiterates Government’s previous statements that Best Value cannot be delivered without well trained and motivated workforce, and that good handling of matters under Best Value is a responsibility of local government both as employer and client.

It is welcome that at paragraph 55 it states that Best Value authorities should consult their employees and recognised trade unions or staff associations’ representatives throughout the process with full disclosure of information on all matters affecting the workforce. Contractors selected to provide services to local authorities and to take on local government staff should also have policies which ensure good communication and consultation with the workforce on key issues following a transfer.

The draft circular highlights key recommendations on the Government’s review of Best Value which reaffirm the link between quality services under Best Value and good employment practices and recommended ways to ensure that all contractors to local authorities have

employment practices that will secure high quality delivery throughout the life of the contract. In response to the review the Government's package of measures include:

- a) New legislation making statutory within local government the provisions in the Cabinet Office Statement of Practice on Staff Transfers in the Public Sector and the annex to it, A Fair Deal for Staff Pensions.
- b) The Code of Practice on the treatment of new recruits working on local authority contracts alongside transferred staff. The Code is to be supported in statutory guidance; and written into individual contracts between local authorities and contractors.

### **Code of Practice on workforce matters in local authority service contracts (Annex C)**

The Code covers staff who were transferred from the local authority to a service provider (contractor) and also staff originally transferred out from the local authority as a result of outsourcing who are TUPE transferred to a new provider under a retender of the contract.

The Code will be contained in contracts between local authorities and private contractors or other service providers. It states that contractors who intend to cut costs by driving down the terms and conditions for staff, whether for transferees or for new joiners taken on to work beside them, will not provide best value and will not be selected to provide services for the Council. The Code also states that in its contracting out of services, the local authority will apply the principles set out in the Cabinet Office Statement Of Practice Of Staff Transfers In The Public Sector and the annexe to it - "A Fair Deal For Staff Pensions".

#### **Treatment of new joiners to an outsourced workforce**

Private contractors and other service providers who employ new staff to work on local authority contracts alongside transferred staff will be required to offer employment on "fair and reasonable terms and conditions which are overall broadly comparable to those of transferred employees, and that take into account the need to recruit and retain quality employees and the conditions in local labour markets; and that offer reasonable pension arrangements".

The guide emphasises that the employees terms and conditions should be considered as a package. This means that it still allows service providers to provide new starters with different terms and conditions to transferred staff as long as the general package is 'broadly comparable'. However there is no definition of 'broadly comparable.' This could result in a situation where the pay of new starters is worse than transferred staff but annual leave and other non- pay conditions may be the same, or where sick leave entitlement is the same for all staff but annual leave or maternity leave entitlement is worse for new starters. This could be viewed as broadly comparable when considering the terms and conditions of staff as a whole. This will not end the two tier workforce in local government and may simply perpetuate it.

Furthermore some "TUPE plus" agreements which UNISON local government branches have persuaded their local authority to insert in contracts with private sector companies provide much greater protection against the two tier workforce and for transferred employees than the proposals contained in the Code. For example, the TUPE plus employment clause in a schools

PFI contract between Newcastle City Council and the PFI contractor requires the contractor to ensure that it provides new employees with the same terms and conditions and pay as transferred employees. The Newcastle TUPE plus clause also requires the contractor to apply for admission to the local government pension scheme and ensure that any sub-contractor also does so too. This has been circulated to branches under cover of ULG/27/2002.

The Code will also require the service provider to consult representatives of a trade union on the terms and conditions to be offered to new starters.

### **Pensions for new joiners to an outsourced contract**

Under the Code the service provider will be required to offer new recruits one of the following pension provision arrangements:

- Membership of the local government pension scheme
- Membership of a good quality employer pension scheme, either being a contracted out final salary based defined benefit scheme, or a defined contribution scheme. For a defined contribution scheme the employer must match employee contributions up to 6% although either could pay more if they wished
- A stakeholder pension scheme under which the employer will match employee contributions up to 6% or either could pay more if they wished.

The service provider will have to provide the local authority with information necessary to allow the local authority to monitor compliance with conditions in the code.

### **Enforcement**

- Employees and recognised trade unions should, in the first instance, seek to resolve any complaints directly with the contractor
- If the local authority thinks the service provider is not meeting its obligations or if an employee of the contractor or a recognised trade union writes to the authority having been able to resolve the complaint, the authority will firstly seek an explanation from the service provider. If the authority is happy with the contractor's response it will inform the complainant. If the authority is not happy with the response they will ask the service provider to take immediate action to remedy this. If, following such a request, the service provider still appears to local authority not to be complying with the Code, the local authority will seek to enforce the terms of the contract which will incorporate this Code
- Councils will have a duty in their best value performance plans to certify that individual contractors comply with best value requirements including workforce requirements in the Code and accompanying statutory guidance
- The auditor will receive information from third parties about any concerns with council compliance and consider how to deal with them

- If the auditor has concerns about compliance with best value duties, including the workforce Code, there are various actions that can be taken by the auditor including :
  - reporting to the council the action they should take
  - issuing a public interest report
  - referring the council to the Audit Commission for an inspection which may lead to a referral to the Secretary of State for Intervention and
  - referring the council to the secretary of State for Intervention.

These enforcement measures are very weak, and do not provide any assurance that even the minimal measures provided in the Code can be safeguarded.

This Code provides a minimum standard, which should be improved and strengthened by strengthening the amendment to Part II of LGA 1988 and introducing fair wages and fair employment legislation. This would require authorities to ensure equal employment treatment of all staff – transferred or new starters on outsourced contracts.

Some UNISON branches have negotiated far better contractual clauses for transferred and new staff to tackle the two-tier workforce and protect the terms and conditions of transferred staff through “TUPE plus” contractual clauses. Those like the Newcastle TUPE plus clause could be models for the Code of Practice.

### **Local Government Act 1999; Section 19: Best Value and Procurement: Handling of Workforce Matters in Contracting Annex B**

This section of the circular advises that procurement decisions by Best Value authorities should take into account workforce issues stating that “ Staff and trade unions should be involved in the option appraisal stage, and where there is a decision to outsource staff and unions should be involved in the selection process and in the subsequent detailed work around the transfer.”

With regard to the draft circular’s advice on the EU Public Procurement Directives, UNISON recommends that the approach that should be taken by the Government, local authorities and UNISON branches is that set out in the joint UNISON/ LGIU document “Making the Workforce Matter: Best Value and Procurement”. The original Government guidance on this matter which accompanied the amendment to part II of the Local Government Act 1988 is generally repeated in this draft circular. Therefore UNISON’s and the LGIU’s approach in our document is still applicable. This means that the criteria for short listing candidates, can go further than considering only workforce matters that affect the suitability of a candidate as determined by the personal, economic and financial standing and technical capacity of the private contractor. And although Government guidance and this draft circular acknowledge that the type of information on workforce matters which authorities can ask of contractors about is not exhaustive, it doesn’t go far enough. Workforce matters contained in UNISON’s Best Value – Best Employment Charter can be used as criteria for shortlisting contractors provided that they do not discriminate against other EC nationals and do not breach the Treaty of Amsterdam.

The European Public Procurement Directives are being revised by the European Parliament. After sustained lobbying by UNISON and EPSU, the revised directives will specifically allow social as well as environment criteria to be used when assessing and awarding contract. This

means that there will be more certainty about allowing workforce matters to be included in the procurement process. The current UNISON guidance will be updated to take this and the final circular into account.

## **Comprehensive Performance Assessment**

The draft circular refers to the Local Government White Paper “Strong Local Leadership – Quality Public Services” issued in December last year. It emphasises the four key principles and five key elements of the Comprehensive Performance Assessment (CPA) which the draft circular states is based on corporate and service assessments and will involve an annual assessment of each authority that helps to identify their strengths and weaknesses. The Government is considering with local government and the Audit Commission the way in which the CPA can be extended to district councils. The ODPM’s draft circular also makes it clear that the CPA or its constituent parts will be a trigger for applying intervention measures in respect of the worst performing councils. There will be a consultation paper issued by the Government proposing the principles which will guide policy and practice on intervention.

## **Approach to Best Value**

The draft circular reiterates the requirements of Best Value authorities under Section 3 of the Local Government Act 1999 to secure continuous improvement in the way in which they exercise their functions, having regard to a combination of economy, efficiency and effectiveness.

Paragraph 13 of the draft circular also highlights the importance of Best Value as an important mechanism for ensuring that authorities play their part in delivering the community strategy, contributing to social inclusion, community engagement, sustainable development and a better quality of life. The circular also recommends four key reports which authorities need to draw on in their approach to Best Value.

The recommendations from the Audit Commission’s 2001 ‘Changing Gear’ report advocates that authorities should evaluate critically their progress in Best Value and identify how they perform against four key building blocks. The three other reports are the Local Government Procurement Taskforce report and the Government’s Best Value Review which “call for innovative approaches to commissioning, procuring, and providing services which genuinely challenge existing ways of doing things and enables service users, staff and management to feel engaged and involved throughout”. The fourth report, the ‘Cross Cutting Review of the Voluntary Sector in Service Delivery’ looks at the importance of good practice in procurement in sustaining provision by voluntary sector providers. It will be published in September.

The Office of the Deputy Prime Minister’s view of a mixed market approach to service delivery is shown in paragraph 17 of the circular, where it states that “authorities should challenge existing practice, regardless of whether services are ultimately delivered in house, externally, or in various forms of partnership. The White Paper, in the conclusion to the Best Value review, reaffirms the Government’s commitment to diversity and plurality ... and that the Government has no ideological preference for any one form of provision over another. It is the continuous improvement of local services that is essential.” The draft circular highlights the Government’s stance on workforce matters: “the Best Value review makes clear that good service delivery is dependent on a skilled and motivated workforce and all providers must have policies to secure this”.

The document also emphasises welcome advice that authorities should address equalities issues in all their best value reviews and planning processes and that they should consider the way in which services impact on all sections of their community.

## **Shared Priorities**

There is a list of shared priorities, attached to the draft circular, which have been agreed between central government and the Local Government Association through the Central Local Partnership, to help authorities and central government to focus their efforts in key areas where joint working is necessary to deliver improvements. The Government expects to see authorities' approach to Best Value and their local Public Service Agreements (PSA's) give clear expression to the priorities set out in the statement and to their statutory responsibilities. The ODPM also advises that the national PSA for local government should be cascaded to the local level primarily through local PSAs. The Government will also look to individual authorities to cascade the priorities within their councils and to share them with partner agencies at the local level.

## **Securing Improvements Through Reviews**

The paper stresses that one of the lessons learned from the first two years of Best Value is that too much attention has been focussed on ensuring compliance with the review methodology of Best Value reviews rather than focussing on outcomes and improvements. It states that, as a result, the potential benefits have not materialised. The draft circular reiterates the broad principles for conducting reviews as being the “4cs”; challenge, compare, consult and competition. Under the “consult” principle it states that following the review of Best Value staff and trade unions should be consulted. This is a welcome change which UNISON has campaigned for.

## **Review Programmes**

The draft circular reiterates that it is no longer a requirement for authorities to review all their functions in a five year cycle. However, authorities still have to review their functions and it notes that some improvements can be made without the need for a review. The paper advises that authorities should engage in a dialogue internally and with the inspectorates, following a corporate assessment about how best to address the areas of opportunity and weaknesses identified in the CPA process. Furthermore, all review programmes need to be drawn up alongside a proportionate and co-ordinated inspection programme, agreed as necessary with the Audit Commission and inspectorates.

## **Scoping of Reviews**

Referring again to the Audit Commission’s findings in the Changing Gear document, the ODPM states that over a third of inspections had challenged whether the scope of Best Value reviews was sufficiently broad to deliver improvements that would be noticed by service users. The draft circular also comments that the scoping process should take account of a wide range of interests and should generally involve elected members, senior managers, other members of staff, actual and potential service users, the voluntary and community sector and others in their community. Also the Government will look to authorities to ensure a balance between service specific and cross cutting reviews particularly in the light of improvement planning following CPA.

## **Challenge**

The draft circular emphasises that reviews will only be effective if they include a genuine element of challenge. Again, drawing on the Changing Gear document, it states that it was found that authorities found the challenge element of Best Value difficult and a census by the University of Cardiff indicates that reviews have not always involved rigorous challenge.

Therefore the draft circular reiterates the Government’s view that challenging why and how a service is provided requires a fundamental rethink about the needs of the service and addresses the methods of delivery. The draft circular states that for the challenge to be effective it should involve:

- Executive members and senior managers throughout the review process
- Managers throughout the review process

- Staff, particularly front line staff, who have knowledge of the current service
- Service users and the wider community
- ‘Third parties’ who can bring an external perspective and expertise.

The circular states that the role of elected members in reviews is key and they should also be involved in monitoring the implementation of measures that flow from completed reviews.

The definition of ‘third parties’ includes partners or alternative providers in the public, voluntary and community, social enterprise and private sectors or service users. Another ‘third party’ could be the use of peer challenge and “increasingly the Government will look to authorities to provide more opportunities for staff from different authorities and bodies to share experiences and offer alternative solutions”.

### **Setting Challenging Targets**

According to the draft circular, authorities should set challenging targets for their reviews which should reflect the national PSA for local government where appropriate, statutory duties, minimum standards, and floored targets as well as an authority’s arrangements for effective performance management. It also claims that through their local PSA, single tier authorities and county councils can receive pump priming grant and unsupported credit approvals to help them meet stretching targets, and a reward grant when lump targets are met”.

### **Competition and Procurement**

The Government remains committed to increasing the role of the private sector in the provision of public services, as shown at paragraph 40 which states that “the highest standards of service provision are more likely to be achieved where there is competition and choice rather than where any one supplier terminates the provision of services. Widening the market to create more suppliers of public services can improve the quality of management and value for money... there is an expectation of a mixed economy of provision across each authority.”

At paragraph 42, the circular states that “the emphasis needs to shift away from routine market testing, to robust option appraisal ...the consideration of alternative service delivery options (often referred to as the “make or buy” decision) is a key component of both competitiveness and the challenge element of reviews. The “make or buy” decision is often seen as a choice between in-house delivery and outsourcing, but there are a wide variety of service delivery options and partners available all of which need to be considered. Inviting external tenderers to compete with the in house team is one option. Others include; internal reorganisation, service outsourcing, private finance initiatives, public sector consortia, pooled budgets, joint commissioning, joint ventures, non profit distributing organisations, as well as partnering contracts and legal partnerships.” Authorities should also consider issues about the capital investment provided for existing services and whether different resourcing arrangements would provide opportunities for improving service delivery.

The circular also underlines some of the key recommendations from the Byatt Report which is a report by the Local Government Procurement Taskforce. The report recommended that procurement expertise must be integral to the way in which local authorities pursue Best Value. The ODPM is keen to stress that this does not mean that the results of every review will be the

procurement of goods or services from a third party. “What it does recognise is that the key stages of any Best Value review need to be informed by best practise”.

Furthermore, the Byatt report also recommended that authorities should have corporate procurement policies which should ensure the effective involvement of staff in reviews and the procurement process. In addition to this the authority’s approach to procuring services to meet its objectives and overall community strategy should be incorporated into its performance plan. The joint Government and LGA response to the Byatt report fully endorsed these recommendations and also announced the creation of a local government procurement forum.

## **Sustainable Development**

The draft circular emphasises that consideration of sustainable development and equity are inherent parts of the effectiveness criteria and are therefore fundamental to Best Value. It also emphasises that within procurement the Government’s definition of Best Value is “the optimum combination of whole life costs and benefits to meet the customer’s requirement” and this approach enables sustainability and quality to be taken into account.

## **Measuring Improvements through performance planning**

This section of the draft circular contains a list of issues to be included in Best Value performance plans from June 2003. Authorities will be expected to continue to report their performance against Best Value performance indicators and performance plans. The Government has reduced the number of Best Value performance indicators for 2002/03 from 123 to 97. The summary of performance information should be published by 31 March each year. The publication date for performance plans has changed from 31 March to 30 June. Authorities have discretion about the content presentation and communication of their summary performance information.

## **New Arrangements for Inspection and Audit**

The circular emphasises that external scrutiny will continue to play a key role in driving up performance. And a new model of inspection will be established based on the following principles:

- Effective co-ordination of its inspection across the full range of local authority functions
- The amount and nature of inspection activity for an authority to reflect its performance profile identified through the performance assessments and risk analysis taking account of local priorities
- Inspection must be an effective component of intervention measures where services are failing

The inspection programme will be built around authorities’ improvement agenda in the light of the CPA or other corporate assessments. The presumption will be that many authorities, particularly the better performing ones, will only be inspected where the inspection of such review can add value.

The requirement in Section 7 of the Local Government Act 1999 for performance plans to be audited remains. The deadline for the audit of performance plans will change from 30 June to 31 December.

### **Best Value in Scotland**

As a result of Lobbying by UNISON in Scotland, the Local Government Bill, will set up a statutory Framework for Best Value in Scotland. It includes provisions allowing local authorities to take the terms and conditions of employment into account when contracting out services. Similar to legislation already in place in England and Wales, the new legislation is just one small step towards developing a "fair employment" agenda. UNISON knows that this falls short of a fair wages provision and that is why we will continue to campaign for Fair Wages legislation UK-wide.

**Please send your comments to the Local Government Service Group by Friday 23 August 2002 in order that a response can be provided in time to meet the Government's deadline.**

Heather Wakefield  
National Secretary  
Local Government Service Group

**ULG/27/2002**

Sandra Howell ext 339

To: Secretaries of Local Government Branches  
(Scotland – for information)  
Regional Heads of Local Government  
Registered Professional/Sectional Bodies - for information

21 May 2002

#### **TUPE PLUS EMPLOYMENT CLAUSE**

**This circular encloses a copy of a TUPE plus employment clause agreed by Newcastle City Council for a schools PFI contract.**

Recently an SGE motion on the Local Government Best Value Review – Two-Tier Workforce reaffirmed UNISON policy to continue the campaign against privatisation and for the direct employment of staff providing public services. One of the key action points of the motion was to produce guidance for regions and branches to be produced on the effect of the new arrangements, public procurement practices and procedures, and TUPE and pensions entitlements to be updated as and when parliamentary changes occur. In line with this we are circulating a TUPE PLUS employment clause in a schools PFI project contract made between Newcastle and the PFI contractor.

Where contracting out/externalisation is proceeding and staff are being transferred to a new employer, UNISON recommends that branches use the TUPE PLUS employment clause developed by Newcastle Branch and Newcastle City Council.

The contractual agreement covers the life of the contract and includes the following key measures.

- TUPE will apply to local authority staff transferred to the PFI.
- TUPE will also apply to local authority staff transferred to the PFI, where there is any change of employer under the PFI. And even if by law TUPE does not apply the authority and the contractor will conduct themselves as if TUPE applies.

- The contractor has to ensure that each sub-contractor or service provider will provide all of the transferred staff the same terms and conditions which they had immediately before transfer.
- The contractor undertakes that the transferred local authority employees and any new employees will receive changes agreed by the NJC to terms and conditions.
- The contractor must ensure that each sub-contractor, or service provider, will provide new employees with same terms and conditions and pay as existing employees.

## **PENSIONS**

The contractor must apply for admission to the Local Government Pension Scheme and ensure that any sub-contractor or service provider does so too.

If a contractor or sub-contractor, or service provider is not admitted or ceases to be admitted to the LGPS they must:

- discuss with UNION representatives
- Offer transferred and new staff an employer's pension scheme which is GAD certified as broadly comparable to the LGPS.
- Continue to take steps to be admitted to the LGPS
- Allow transferred and new staff to choose whether to join the LGPS if the employer is admitted to the LGPS

## **CONSULTATION**

The authority and the contractor must comply with its TUPE obligations to consult representatives. And the contractor shall ensure that each sub-contractors or service provider will also comply with their TUPE obligations to consult representatives.

### **New Employees**

The contractor must give the authority the name and address of all new prospective employees, before any offer of employment is made. If the authority has any reservations or objections about a prospective employee the contractor will consider them.

### **Trade Union Recognition**

The authority recognises the trade unions as representatives of the authority employees. The contractor recognises and shall ensure that each service provider shall recognise the trade unions for collective bargaining, consultation and representation.

### **Returning Employees**

TUPE will apply to employees transferred from the contractor to the local authority.

### **Single Status**

There is an attempt to deal with the increase in wage costs which may result from the implementation of the Single Status.

The agreement requires the contractor to provide a report to the authority showing the number of employees affected by the Single Status Agreement, the steps taken to mitigate the effects of the annual increase in wage costs, the net annual cost of implementation of Single Status.

Heather Wakefield  
National Secretary  
Local Government Service Group

# LOCAL GOVERNMENT PFI NEWSLETTER

November 2001

ISSUE NO 8

## **SUMMARY OF THE RESULTS OF A TELEPHONE SURVEY ON PFI CONDUCTED BY UNISON DIRECT.**

### **Introduction**

A telephone survey conducted by UNISON Direct from 14 August to 20 September focused on local government and police branches that had PFI projects which were signed and or operational. Signed and or operational projects were identified by the lists of PFI projects produced by the Department of Transport Local Government and Regions in England, the Private Finance Unit in Wales and the Scottish Executive. The survey consisted of a questionnaire, which was filled in by the UNISON Direct caller according to the respondent's answer. Many calls lasted from 20 -30 minutes, a few calls only lasted 7 minutes due to their being no staffing implications or UNISON members.

UNISON Direct successfully contacted branches in England, Wales and Scotland with 76 PFI projects. There were 75 signed projects in England which includes Police schemes and Magistrates courts as of 11 July 2001. The DTLR's analysis shows that only 36 schemes in England are operational, and 39 are signed but not yet operational. In Scotland there were 6 signed projects and 4 operational projects. In Wales there were 3 signed projects.

### **SURVEY RESULTS**

Respondents stated that 54 PFI projects had been signed and 5 had not yet been signed.

#### **PFI PROJECTS WITH STAFF TRANSFERS**

43 PFI projects had staff transfers with 17 PFI projects having no staff transfers.

Projects with no staff transfers included those that involved buildings and equipment only.

#### **Only One PFI Project Excluded Support Staff Who Were Subcontracted To The PFI Consortia - Stoke On Trent.**

In Stoke –on Trent, the support staff remain employees of the Council, their work is divided between the Council and the PFI contract. The terms of the contract

require Balfour Beatty to subcontract the support staff from the City Council for the cleaning, catering and caretaking and grounds maintenance services.

We are also aware, although this was not part of the survey, that in the Staffordshire Secondary school project, the catering staff remain employed by the Council, the cleaners and caretakers will transfer under TUPE to Pell- Frischmann. Pell Frischmann has given the branch assurances that pay and terms and conditions of transferred staff will not be cut. However new staff will be employed on the company's terms and conditions of employment. Pell Frischmann will provide mirror-image pension schemes for all employees. Both schools are planned to become operational in September.

### **Which Staff Were Transferred?**

- The most common groups of staff which were transferred to a PFI consortia were cleaners, caterers, caretakers, 20 projects involved the transfer of these groups.
- 10 more PFI projects transferred cleaners, caterers, and caretakers and grounds and buildings maintenance staff.
- In a project for a residential home all staff "up to and including management" were transferred.
- IT/IS projects tended to transfer IT or IS systems staff one also included finance and personnel staff as well as IT staff. (3 projects)
- One branch stated that for a school PFI project, as well as all the support staff, teaching and midday assistants had also been transferred.
- Other staff included a printer, grooms, carpenters, and refuse collectors drivers and painters.

### **What Has Happened To Pay Terms and Conditions and Pensions for Transferred Staff?**

#### **Staff Protection Agreements**

- **Only 22 projects have a staff protection agreement for transferred staff.** 8 reported there was no staff protection agreement. There were many "don't knows". Only 6 projects were reported as having staff protection agreements for new staff. 21 projects had staff protection agreements included in the contract. 20 did not include any.
- In one scheme, the company was now attempting to sub-contract staff to another company and TUPE transfer agreements were in danger. This was an IT scheme signed in 1998 now operational involving 57 staff.

#### **Pensions for Transferred Staff**

- **Transferred staff were able to keep their local government pension schemes in only 16 PFI projects.**
- And transferred staff could join a GAD certified private company pension scheme in 11 PFI projects.

- Transferred staff could only join a non GAD certified private company pension scheme in 4 PFI projects
- In 4 PFI projects staff had no pension scheme.

## **Pay and Conditions for New Staff**

- Only 4 PFI projects were identified as allowing new starters to be employed on local government pay terms and conditions.
- 20 PFI projects were identified as definitely not employing new starters on local government pay terms and conditions.
- There were many "don't knows," some branches referred to the fact that new staff were not yet employed. Given that a high proportion of branches knew whether TUPE or staff protection agreements applied to transferred staff, it would be reasonable to conclude that the low figures for new staff are explained either by the fact that new staff were not yet employed or that new staff were not considered and were therefore not included in any agreement on employment issues.

### **Of those projects where branches did know what happened to the terms and conditions of new staff they stated that.**

- New staff had same pay as transferred staff in 12 projects, and worse pay in 13 projects.
- New staff had the same holiday entitlement as transferred staff in 9 projects and worse holiday entitlement in 16 projects.
- New staff had the same pay for working unsocial hours as transferred staff in 12 projects and worse pay for working unsocial hours in 13 projects.
- New staff had the same sick pay as transferred staff in 11 projects and worse sick pay in 14 projects.
- New staff had the same maternity leave in 13 projects and worse maternity leave in 11.

## **THE KEY ISSUES FOR BRANCHES**

Branches were asked to provide any comments on the PFI including any advice or guidance, which they thought UNISON, should provide to branches. They were many comments below are the key issues.

- Lack of information and consultation from the local authority.
- Subcontracting, leading to derecognition and changes in terms and conditions.
- Contractors "moving the goalposts" and changing agreements e.g. issuing all staff with new contracts and terms and conditions after transfer, making staff worse off and de-recognition.
- Branch fears problems keeping in touch with members and difficulty recruiting stewards under these new contractors. Branch has noticed changes in attitudes from private companies after contracts signed. More reluctant to contact the branch and update them.
- Hardest lesson is to keep on top of the situation.

- The project involved buildings and equipment only. The main problem was the health and safety issues regarding what furniture/equipment any staff would be expected to use. Reps should be included in negotiations right from the start, even if there are no staff involved.
- OPERATIONAL SINCE 2000. Would have liked more advice, on two tier system- In dispute with management. Causing a “them and us” situation between new and old employers. No negotiating rights for new employees. On target for 51% of new employees to demand negotiating
- Branch have had problems with agreements being reached prior to the contract being won. The contractors then move the goalposts and try to alter the agreements without further discussion with UNISON.
- Branch feel the school has not been built big enough to cater for the number of pupils that will be using it. The project was completed over 5 years ago, so these problems only just coming to the fore.
- This branch meets with another seven branches regularly to discuss the PFI issues and keep each other informed. These branches are all involved with the same private company so look to each other for helpful info.
- Branch had no real comments to make other than to say they felt info/guidance provided by UNISON was good. Unison should continue fighting PFI.
- No staff transfers. Main problem the cost of the Council providing services to the Private contractor, may cause cuts ( in the long term) elsewhere.
- This was one of the first PFI schemes. They had problems finding out and gathering data concerning the company who was in control of the consortiums. This was due to sister/amalgamations of this company not being on record. It would help branches if as much info on these companies were provided to UNISON, so that they could look at past, history and outline any problems. This may also give them weight when resisting PFI. Would also like to raise concerns over subcontracting firms especially.

**FOR A COPY OF THE FULL REPORT ON THE PFI SURVEY PLEASE CONTACT THE LOCAL GOVERNMENT SERVICE GROUP.**

<b>Branch</b>	<b>Project</b>	<b>Selected Bidder</b>
Aberdeenshire	Schools	Robertson
Birmingham	Replacement of 10 Schools	Gallifords will own buildings. Mighty- cleaners (sub-contracted out by Gallifords)
Bournemouth	Library	Kier
Brent	Street Lighting	
Brighton	Library	Norwich Union
Caerphilly County	schools	Ballast Wiltshire [won the building contract responsibility for Caretakers] Scholarest [responsibility for cleaning/catering staff]
Ceredigion County	school	W.S. Atkins
Cleveland and Durham Police	Firearms Range	Barr
Cornwall	32 schools	WS Atkins and New Schools
Cornwall	Fire Stations	W.S. Atkins
Derby City	social hsg	n/k
Derby City	revenues and benefits	n/k
Derbyshire	2 schools	Rentokil and Babcock and Brown
Derbyshire Police	Ilkeston police station	Bowman and Kirkland
Dorset	Colfox school	Jarvis
Dorset Police	Dorchester Police station	Norwest- builders W.S. Atkins - staff employer
Dudley	ICT in school	Research Machine
Dudley	multi-use residential facility	
Dundee	Waste management	Dundee City Council/ BICC plc/ BZW ltd/ Kvaerner Investments Ltd
East Renfrewshire	2 schools	Jarvis who sub-contracted to Chartwells
East Riding	Schools	Jarvis- cleaners sub-contracted to Mighty and caterers sub-contracted to Castleview
East Sussex	Schools	Drake and Scull
Edinburgh City	ICT	Syntegra-subsubsidiary of BT
Enfield	Schools	Equion
Essex	School	Kerr, caterers sub contracted to Chartwell
Essex	A130 road	
Falkirk	Schools	WS Atkins, Mitie-Olscot, Chartwells are subcontractors

		and Class 98 are the holding company.
Glasgow City	Schools	Miller and Amey
Hampshire	S. Hants Rapid Transit	Project never went ahead
Haringey	schools	Jarvis
Harrow	community centres for the elderly	
Harrow	revenues and benefits	
Herefordshire	Waste mgt	FOCSA
Highland	Schools	M.J. Gleason Group
Highland	IS/IT	ICL
Hillingdon	School	
Hull	School	Sanguin Builders
Isle of Wight	waste mgt	Ireland Waste Services
Islington	Depot & Vehicle Services	Keir
Kent	Swanscombe schools	no knowledge of this project
Kent	IT	Hyder Business Services (HBS )
Kirklees	20 schools	Jarvis, cleaning sub-contracted to Trident, caterers sub-contracted to in-house staff
Kirklees	Waste mgt	
Lambeth	Depot & Vehicle Services	OnyX and Sita are sub contractors to the scheme and Service Team are the lead tenderers (who have since been bought out by Cleanaway).
Lancashire	School	not yet notified
Leeds	Replacement school	Aqumen (division of Molhams
Liverpool	Speke/Garston Forward Learning Centre	
Manchester	School	Don't know, was not involved as the only employees involved were GMB members. It was a land swap deal, to build a new school and doctors surgery.
Manchester	Energy services (housing)	n/k
Moray	: Integrated Education Management Service	ICL for computing services and telephone system within all Primary/Secondary Schools.
Newham	2 new primary schools and one new secondary school	
Newport	Single site replacement school for Durham Rd Infant and junior schools.	not decided

Norfolk	Salt Barns	The Salt Union
Norfolk Police	Force HQ	Balfour Beatty facilities run by Rentokil
North East Derbyshire	Housing	
North Wiltshire	Property rationalisation	Jarvis
North Yorkshire	Schools	Accord
Northumbria Police	Stables	Bowey's Construction
Nottingham	Nottingham Express transit light rail scheme	Coillion
Portsmouth	School	Ballast Wiltshire, part of Wilts FM
Redcar and Cleveland	office accommodation	
Rhondda Cynon Taff County	Community Education Facilities	
S.Gloucs	Waste management	United Waste Services, subsequently taken over by Sita
Sheffield	"Heart of the City" offices	Tilbury Douglas
Sheffield	Schools	Tilbury Douglas
Stirling	School	Jarvis/Castle View
Stoke on Trent	Energy and maintenance management in 126 schools	Balfour Beatty
Surrey	Residential homes	Anchor Trust - 17 homes Care UK- 7 homes Shore Homes - 6 homes St Cloud Care- 2 homes
Thames Valley Police	Force HQ	Rentokil own the building at Abingdon, South Oxfordshire,
Tower Hamlets	School and sports hall	Accord PLC which subcontracted caterers to Caterhouse
Tower Hamlets	Energy services (housing)	
Waltham Forest	new secondary school	W.S. Atkins
Westminster	Residential Care Services	Care Homes UK
Wiltshire	schools	Group 4 Falk, who then subcontracted to Hallidays [caterers]
Wiltshire Police	Helicopters	Police Aviation Services
Wirral	9schools	Jarvis
Wrexham	Waste mgt	Not sure

# LOCAL GOVERNMENT PFI NEWSLETTER

August 2002

ISSUE NO 9

## ABOUT THE NEWSLETTER

This is the ninth in a series of newsletters on Local Government PFI projects. In addition to the circulars produced by the Service Group, they provide information on PFI developments in branches and work being conducted by the Service Group. We welcome any information from branches which we can include in subsequent issues of the Newsletter. Please send contributions and information to Sandra Howell, Local Government Service Group at UNISON, 1 Mabledon Place, London WC1H 9AJ or by e-mail to [s.howell@unison.co.uk](mailto:s.howell@unison.co.uk)

## Raynsford introduces simpler funding system for PFI schemes

The Government has cleared the path to drive in more PFI schemes, by introducing a simpler funding system for PFI.

Local Government Minister, Nick Raynsford introduced a new system for calculating Government support for Private Finance Initiative (PFI) schemes in April.

The simpler revenue support system for PFI schemes will be easier for local authorities to understand as they develop proposals for their schemes. The changes will help streamline the process from proposal to delivery of key public services.

## PFI firms' massive increases in profits

PFI firms Balfour Beatty and Amec have announced massive increases in profits - 20% for Balfour and 18% for Amec. Balfour Beatty reported equity returns of up to 18% from PFI projects compared to 3-4% for traditional engineering projects. They also emphasised the value of long PFI contracts which "will generate stable and growing profits and cash flows over a long period, even if we never win another concession".

## Social housing PFI Schemes in England.

Five councils have been selected to provide social housing PFI schemes

The housing bids are:

- Birmingham City Council - This scheme will be jointly sponsored by the Department of Health and will provide supported housing schemes to provide accommodation for people with learning disabilities.

- London Borough of Brent - This scheme aims to provide homes for 300 homeless families and to refurbish 2 residential homes for adults with learning disabilities.
- Slough Borough Council - Building 150 mixed tenure homes on brownfield sites across the borough.
- Warrington Borough Council - The redevelopment of two streets with low demand. Existing houses will be demolished and replaced with a mix of social and private housing.
- London Borough of Harrow - Providing 32 units of supported housing for care leavers, people with hearing disabilities and people with mental health problems.

### **Five Authorities to Develop PFI schemes for Joint Service Centres in England**

In May the Government invited five authorities to develop PFI schemes for joint service centres which will provide advice and a range of services to local people, bringing them together in a single point of delivery. They have been asked to complete outline business cases for the centres in the first year of this new type of PFI scheme.

The successful bids are:

- Leeds City Council – to extend existing joint service centres to a further six areas, providing a wide range of facilities including health and youth services, the police and the voluntary sector.
- Manchester City Council – to build a new centre in Miles Platting providing a library with improved ICT facilities, employment and advice services, adult education, family and primary healthcare as well as one-stop advice.
- Newcastle City Council – to build four new 'Customer Service Centres' in areas of social deprivation with links to the Benefits Agency, Inland Revenue and providing legal and consumer advice.
- North Tyneside Council – to provide a multi-agency centre serving the rural north-west area of the authority incorporating a wide range of services. These will include a library, healthy living centre, nursery, one-stop shop, creche, community and outreach training rooms, the Citizens Advice Bureau and will be a base for community policing.
- Shropshire County Council – to provide a resource centre in Shrewsbury with a wide range of facilities for people with disabilities. These will include advice on and sale of products for easier living, transcription and sign language services, counselling and advocacy, foster care resources, library services, facilities for voluntary and community groups as well as a one-stop shop.

### **List of PFI Projects in England**

The latest list of Local Government PFI projects in England attached at Appendix A was published on 22 July. For further details please refer to the following website:

<http://www.local.detr.gov.uk/pfi/endorsed.htm>

## **Summary of Local Government PFI Projects in England**

- 189 Projects have been endorsed by the government
- 69 are operational
- 22 have been signed
- 98 are unsigned
- The majority of local government PFIs are in education, with 63 projects for school PFIs.

The five regions with the highest number of PFIs are as follows:

London - 46 PFI projects  
North West - 26 projects  
South East - 25 projects  
Yorkshire - 20 projects  
West Midlands - 18 projects.

## **Summary of Local Government PFI Projects in Scotland**

- 21 Projects have been endorsed
- 7 are operational
- 8 signed
- The majority of local government PFIs are in education, with 12 projects for schools

A list of local government PFI projects in Scotland is attached at Appendix B. Details of all PFI projects in Scotland are available at the following website: <http://www.scotland.gov.uk/pfi/>

UNISON Scotland's information on PFI is available on their website at: [www.unison-scotland.org.uk](http://www.unison-scotland.org.uk)

## **Summary of Local Government PFI Projects in Wales**

- 11 Projects have been endorsed
- 7 are school PFI projects

A list of local government PFI projects in Wales is attached at Appendix C. PFI information is available on the Welsh Assembly website at: <http://www.pfu.wales.gov.uk/scripts/pfilist.asp>

## **Forty-Second Report of the Public Accounts Committee : Managing the Relationship to Secure a Successful Partnership in PFI Projects (HC 460)**

The 42<sup>nd</sup> report of the House of Commons Public Accounts Committee confirms UNISON's criticisms of PFI from our research into PFI in the health service and in local government.

There are 400 PFI contracts now in progress with many more contracts being negotiated. The Committee found that better evaluation is needed of PFI projects in progress. Departments need to analyse rigorously whether their PFI projects are delivering the quality of customer service and value for money expected when the contracts were let. The results of these evaluations should also be monitored by the OGC to enable it to refine the government's approach to the development of future PFI projects.

Value for money needs to be maintained over the life of these long term contracts. We are very concerned that over one in five authorities consider that value for money from their PFI contracts has diminished, with high prices for additional services an area of concern.

A summary of the report is attached at appendix D. The full report is available on the following website: <http://www.publications.parliament.uk/pa/cm200102/cmselect/cmpubacc/460/46003.htm#a1>

## Appendix A

### LOCAL AUTHORITY PROJECTS ENDORSED BY THE INTERDEPARTMENTAL PROJECT REVIEW GROUP (PRG)

On 22 July 2002, the ODPM published the latest list of local authority projects endorsed by the PRG. A total of 189 projects are in line to receive revenue support from Central Government. The next list of projects is due in August 2002. The new projects are marked in **bold**.

For a statistical analysis of these projects [click here](#).

#### Sponsoring Department

		Signed	Operational
<b>Department for Culture Media and Sport</b>			
Libraries and Leisure			
	Amber Valley: three leisure centres		
	Breckland: new leisure centres and new sports development initiatives		
	Lewisham: integrated library, leisure and health facility		
	Penwith: new sports and leisure and health facility		
<b>Department of the Environment, Food and Rural Affairs</b>			
Waste Management			
	East London Waste Authority		
	East Sussex & Brighton & Hove Waste Partnership		
	Hereford, Worcester	✓	✓
	Isle of Wight	✓	✓
	Leicester		
	Kirklees	✓	✓
	South Gloucestershire	✓	✓
	Surrey	✓	✓
<b>Office of the Deputy Prime Minister</b>			
Fire Service			
	Avon, Somerset and Gloucester: fire training facility	✓	
	Cornwall: fire stations	✓	✓
	Greater Manchester: Stretford divisional headquarters and fire station	✓	✓
	Lancashire: fire stations		
	London: fire vehicles and equipment	✓	✓
	North Yorkshire: fire training facility and fire station	✓	✓
	Tyne & Wear Fire & Civil Defence authority: fire stations and other facilities		
	Walsall: new community fire station (replacing 2 outdated fire stations)		

Housing			
	<b>Ashford: Management &amp; refurbishment of properties on Stanhope Estate</b>		
	Bassetlaw: New social housing and community centre		
	Camden: HRA Pathfinder, tower blocks		
	Derby: social housing	✓	✓
	Islington: HRA Pathfinder, mainly Victorian street properties		
	Islington: street properties II		
	Leeds: HRA Pathfinder, Swarcliffe Estate		
	Lewisham: refurbishment of 1700 properties in Brockley		
	Manchester: HRA Pathfinder, Plymouth Grove/Stockport Road Estate		
	Manchester: energy services	✓	✓
	Manchester: comprehensive renewal of Miles Platting Neighbourhood in East Manchester		
	Newham: HRA Pathfinder, Canning Town		
	North East Derbyshire: HRA Pathfinder, South East Coalfield Area		
	North East Derbyshire: social housing	✓	✓
	Oldham: sheltered housing		
	Reading: HRA Pathfinder, North Whitley		
	Rochdale: supporting sustainable communities		
	Sandwell: HRA Pathfinder, Wednesbury South		
	Selby: 250 new homes		
	Tower Hamlets: energy services	✓	✓
	<b>Warrington: Anson &amp; Blenheim Close (Non HRA)</b>		
Information & Communication Technology			
	Cambridge: "Cambridge Community Network"		
	Croydon: "Delivering Customer Focus"		
	Derby: revenues & benefits	✓	✓
	Harrow: revenues & benefits	✓	✓
	Kent: strategic IT	✓	✓
	Norwich: "Connect" electronic network	✓	✓
Leisure			
	Sefton: Crosby leisure centre	✓	
	Uttlesford: three new sports & leisure centres	✓	

Property and Regeneration			
	Bournemouth: library	✓	✓
	Brighton: library	✓	
	Copeland: office rationalisation		
	Hackney: technology learning centre	✓	✓
	Norfolk: salt barns	✓	✓
	North Wiltshire: property rationalisation	✓	✓
	Redcar & Cleveland: office accommodation	✓	✓
	Sheffield: "Heart of the City" offices	✓	✓
	Stoke: redevelopment of Bentilee District Centre		
	Trafford: Sale new civic centre office accommodation		
<b>Department of Transport</b>			
Depot and Vehicle Services			
	Islington	✓	✓
	Lambeth	✓	✓
Transport and Street Lighting			
	Brent: street lighting	✓	✓
	Essex: A130 road	✓	✓
	Hampshire: South Hampshire rapid transit		
	Islington: street lighting		
	Manchester: street lighting		
	Newcastle/Tyneside: Street lighting		
	Nottingham: Nottingham Express Transit light rail scheme	✓	
	Portsmouth: highway management and maintenance		
	South Yorkshire Passenger Transport Executive: Doncaster Interchange	✓	
	Staffordshire: street lighting		
	Stoke-on-Trent: street lighting		
	Sunderland: street lighting		
	Surrey: Pegasus School Bus Initiative		
	Wakefield: street lighting		
	Walsall: street lighting	✓	✓
	Walsall: integrated transport		
	West Yorkshire Passenger Transport Executive: Leeds supertram		
<b>Office of the Deputy Prime Minister / Home Office</b>			
Joint Fire and Police facilities			
	Dorset Fire and Police Authorities: two fire/ambulance stations and a police divisional HQ		

Department for Education and Skills			
Individual schools			
	Brent: relocation of Jews Free School	✓	
	Camden: rebuild Haverstock School		
	Dorset: Colfox School replacement secondary school	✓	✓
	Enfield: new secondary school	✓	✓
	Essex: new secondary school	✓	✓
	Hillingdon: new secondary school	✓	✓
	Kingston upon Hull: Victoria Dock, new primary school	✓	✓
	Lambeth: new secondary school plus community library / resource centre		
	Leeds: Cardinal Heenan, replacement secondary school	✓	✓
	Lancashire: Fleetwood High School, replacement/refurbishment	✓	
	Manchester: Temple, replacement primary school	✓	✓
	Portsmouth: new secondary school	✓	✓
	Redbridge: Oak Park High School	✓	✓
	Walsall: replacement of St Thomas Moore secondary school		
	Waltham Forest: new secondary school	✓	✓
Grouped schools			
	Bedfordshire: refurbish and redevelop 2 schools		
	Bexley: rebuild & refurb of Bexleyheath School and Welling School and provision of new sports hall at Chislehurst and Sidcup School		
	Birmingham: replacement of ten schools	✓	✓
	Calderdale: four schools		
	Croydon: rebuild of Ashburton Community School & Life Long Learning Centre		
	Cornwall: 32 schools	✓	✓
	Derbyshire: two schools & one integrated facility	✓	
	Dudley: one secondary and one primary school		
	Ealing: replacement of three schools (2 primary, 1 high school)		
	East Riding: six schools	✓	
	East Sussex: five schools	✓	✓
	Essex: 2 new secondary schools in Clacton-on-Sea		
	Haringey: nine secondary schools	✓	✓
	Harrow: rebuilding of 2 schools for pupils with learning disabilities		
	Kent: Swanscombe: two schools	✓	
	Kirklees: 20 schools	✓	
	Kirklees: rationalisation of special schools		
	Leeds: seven schools		
	Leeds: 10 primary schools		

	Lincolnshire: seven primary schools to address special needs	✓	
	Liverpool: 21 schools	✓	✓
	Merton: replacement of ten schools		
	Newcastle: four secondary and three primary schools	✓	
	Newham: two new primary schools and one new secondary school	✓	
	Norfolk: new build / rebuild, extension and refurbishment of 86 schools		
	North Tyneside: one new primary, one new community high and two new first schools		
	North Yorkshire: four primary schools	✓	✓
	Northamptonshire: one new secondary, one new primary school & community facilities		
	Nottinghamshire: group of six schools		
	Richmond: five primary schools	✓	
	Rotherham: 17 school (reducing to 15) improvement package		
	Salford: two new schools for special needs		
	Sandwell: five primary schools		
	Sheffield: six schools	✓	✓
	Sheffield: two schools		
	Southampton: three secondary schools	✓	
	Staffordshire: two schools	✓	✓
	Stockton-on-Tees: new primary and new secondary school		
	Stoke on Trent: energy and maintenance management 126 schools	✓	✓
	Tameside: schools rationalisation		
	Torbay: two schools	✓	✓
	Tower Hamlets: 29 schools		
	West Sussex: refurbish 3 existing secondary schools and provide a new eight-form entry secondary school		
	Wiltshire: three schools	✓	✓
	Wirral: nine schools	✓	
	York: rebuilding of three primary schools		
Other			
	Dudley: 104 schools Information & Communication Technology	✓	✓
	Lewisham: 90 schools catering	✓	✓

<b>Department for Education and Skills / Office of the Deputy Prime Minister</b>			
Joint schools & community facilities			
	Bolton: primary school, library and community facilities		
	Brighton and Hove: four secondary schools plus community library	✓	
	Cheshire: five primary, one secondary school plus community facilities		
	Liverpool: Speke/Garston Forward Learning Centre	✓	
	Sunderland: secondary school and community facilities	✓	
	Tower Hamlets: Mulberry School, secondary school and sports hall		
<b>Department of Health</b>			
Residential Homes			
	Ealing: Elderly Care Home		
	Enfield: three new resource centres		
	Greenwich: elderly persons' centres		
	Harrow: community centres for elderly	✓	✓
	Kent : Elderly Care Home – East Kent Health Authority		
	Northampton: four centres for elderly or mental health needs		
	Richmond: care services	✓	✓
	Surrey: residential homes	✓	✓
	Westminster: care services	✓	✓
Other			
	Dudley: multi-use facility	✓	✓
	Harrow: resource centres and houses		
	Kent: integrated social and health service centre		
	Portsmouth: two day centres for people with learning difficulties	✓	
	Staffordshire: new children's home		
<b>Department of Health / Office of the Deputy Prime Minister</b>			
Joint Housing and social services			
	Hammersmith & Fulham: care & housing for older people		
<b>Home Office</b>			
Police HQs			
	Cheshire: relocation of HQ and training centre	✓	
	Derbyshire: Divisional HQ in Derby	✓	✓
	Gloucestershire: Force HQ		
	Norfolk: Force HQ	✓	✓
	Thames Valley: Force HQ	✓	✓
	Wiltshire: Divisional HQ		

Police stations			
	Cumbria: Workington	✓	✓
	Derbyshire: Ilkeston	✓	✓
	Dorset: Dorchester Station	✓	✓
	Kent: Medway area		
Other Police Schemes			
	Cheshire: custody facilities		
	Cleveland: custody & other facilities		
	Cleveland/Durham: firearms range	✓	✓
	Greater Manchester Police: improve efficiency of operational policing		
	Northumbria: stables	✓	✓
	Nottinghamshire: area traffic facility	✓	✓
	Sussex: new custody suites	✓	✓
	Wiltshire: helicopters	✓	✓
<b>Court Service</b>			
Magistrates' Courts			
	Avon and Somerset		
	Bedfordshire		
	Derbyshire	✓	
	Gloucestershire: new magistrates & office accommodation		
	West Mercia (Hereford, Worcester)	✓	✓
	West Midlands (Birmingham City Council)	✓	
	Humberside	✓	✓
	Greater Manchester (City of Manchester)	✓	

#### STATISTICAL ANALYSIS OF PROJECTS ENDORSED

Stage in process	Number
Operational	69
Signed, but not yet operational	22
Previously endorsed, not yet signed	96
Newly endorsed	02
<b>Total</b>	<b>189</b>

Department	Number
Office of the Deputy Prime Minister	47
Transport	19
Environment, Food and Rural Affairs	8
Education and Skills	63
Joint DfES/ODPM	6
Home Office	18
Health	14
Joint DoH/ODPM	1
Joint DTLR/HO	1

Court Service	8
Culture, Media & Sports	4
<b>Total</b>	<b>189</b>

<b>Region</b>	<b>Number</b>
East Midlands	17
East of England	12
London	46
North East	11
North West	26
South East of England	25
South West	14
West Midlands	18
Yorkshire	20
<b>Total</b>	<b>189</b>

<b>Authorities</b>	<b>Number</b>
<b>Total</b>	114

## LOCAL GOVERNMENT PFI PROJECTS IN SCOTLAND

Status	Project	Local Authority	OJEC	F/Close	Value (m)	Contract Length
a) Operational	Baldovie Waste to Energy Plant	Dundee City Council	Dec-93	Sep-97	43	20
a) Operational	Falkirk Schools	Falkirk Council	Apr-97	Aug-98	65	25
a) Operational	Project 2002 (Glasgow Schools Project)	Glasgow City Council	Jul-98	Jul-00	225	30
a) Operational	IS/IT Services	Highland Council	Jun-97	Jul-98	13	10
a) Operational	Integrated Education Management Service	Moray Council	Oct-97	Nov-98	5.6	7
a) Operational	Office Accommodation	Perth and Kinross Council	Oct-97	Mar-99	15	25
a) Operational	Balfron School	Stirling Council	Apr-98	Mar-00	16.5	25
b) Signed	Aberdeenshire Schools Project	Aberdeenshire Council	Mar-99	Mar-01	14.25	25
b) Signed	Argyll and Bute Waste Management Project	Argyll & Bute Council	Aug-99	Aug-01	21.7	25
b) Signed	Mearns Primary and St Ninian's High School	East Renfrewshire Council	Jan-98	Apr-00	12.5	25
b) Signed	Fife Schools	Fife Council	Sep-99	Sep-01	32	25
b) Signed	Highland Schools Project	Highland Council	Nov-99	Jun-01	17	25
b) Signed	Information and Communications Technology Services	The City of Edinburgh Council	Mar-99	Mar-01	40	0
b) Signed	Edinburgh Schools Project	The City of Edinburgh Council	Oct-99	Nov-01	80	30
b) Signed	West Lothian Schools Project	West Lothian Council	Dec-99	Aug-01	27.8	30
c) Tenders Invited/Negotiated	A92 Upgrading	Angus Council	Jul-00	Dec-02	38	30
c) Tenders Invited/Negotiated	Dumfries & Galloway Waste Management / Recycling Project	Dumfries & Galloway Council	Aug-99	Aug-02	17.5	25
c) Tenders Invited/Negotiated	East Lothian Schools	East Lothian Council	Dec-00	Sep-02	30	30
c) Tenders Invited/Negotiated	Glasgow Southern Orbital Road	East Renfrewshire Council	Oct-00	Oct-02	46	30
c) Tenders Invited/Negotiated	Midlothian Schools Project	Midlothian Council	Jan-01	Jul-02	33	30
d) Advertised	Dumfries & Galloway Schools	Dumfries & Galloway Council	Oct-01	Aug-02		

## LOCAL GOVERNMENT PFI PROJECTS IN WALES



<b>Project title</b>		<b>Sector</b>	<b>Type</b>	<b>Location</b>
<a href="#">BRIDGEND COUNTY BOROUGH COUNCIL - Replacement Secondary School, Maesteg</a>	03/07/01	Local Authority	School	Bridgend
<a href="#">CAERPHILLY COUNTY BOROUGH COUNCIL - Replacement Secondary Schools</a>	06/07/01	Local Authority	School	Caerphilly
<a href="#">CAERPHILLY COUNTY BOROUGH COUNCIL - Sirhowy Enterprise Way Road Scheme</a>	03/07/01	Local Authority	Road	Caerphilly
<a href="#">CEREDIGION COUNTY COUNCIL - Replacement Secondary School, Ysgol Gyfun Penweddig, Aberystwyth</a>	03/07/01	Local Authority	School	Ceredigion
<a href="#">CONWY COUNTY BOROUGH COUNCIL - Schools Project</a>	03/07/01	Local Authority	School	Conwy
<a href="#">DENBIGHSHIRE COUNTY COUNCIL – Council Offices</a>	03/07/01	Local Authority	Civic Offices	Denbighshire
<a href="#">NEWPORT COUNTY BOROUGH COUNCIL – Newport Southern Distributor Road</a>	03/07/01	Local Authority	Road	Newport
<a href="#">NEWPORT COUNTY BOROUGH COUNCIL – Replacement Primary school</a>	03/07/01	Local Authority	School	Newport
<a href="#">PEMBROKESHIRE COUNTY COUNCIL - Replacement Primary and Nursery School provision with local council offices</a>	06/07/01	Local Authority	School / Office	Pembrokeshire
<a href="#">RHONDDA CYNON TAFF COUNTY BOROUGH COUNCIL – Lifelong Learning Centre</a>	03/07/01	Local Authority	School	Rhondda Cynon Taff
<a href="#">WREXHAM COUNTY BOROUGH COUNCIL – Integrated Waste Management Scheme, Wrexham</a>	06/07/01	Local Authority	Waste Management	Wrexham

**SUMMARY OF  
KEY ISSUES  
FROM THE  
PUBLIC  
ACCOUNTS  
COMMITTEE  
REPORT ON  
PFI**

**Value for money needs to be maintained over the life of these long term contracts.**

The Public Accounts Committee (PAC) stated that “We are very concerned that over one in five authorities consider that value for money from their PFI contracts has diminished, with high prices for additional services an area of concern. “

**As many as 23 per cent of authorities surveyed considered that there had been a decline in value for money in PFI projects after contract letting.**

Yet only around half of the contracts surveyed had mechanisms for ensuring continued value for money over the lifetime of the project such as benchmarking and open book accounting. All contracts should have appropriate mechanisms in future.

**High Charges for additional services and contract changes**

Long term contracts must provide room for flexibility in the face of changing circumstances. But concern has arisen over high charges for additional services, suggesting that authorities need to watch that change procedures are not abused as a covert means for increasing the profit margins of the contractors.

One of the reasons authorities gave for a decline in value for money was high charges for additional services. A recurring feature in traditional construction projects is that departments accept lowest price tenders, but contractors then seek to increase their profit margins through variations and claims for additional work

**Public Authorities lose out to refinancing deals**

The survey showed a very low proportion of authorities, just 15 per cent of those surveyed, with arrangements to share in refinancing gains. Refinancing can give rise to excessive returns to the private sector from PFI deals

**Contractors should expect to lose their investment in PFI projects when things go wrong and to be rewarded reasonably when things go well.**

It will undermine an essential commercial discipline if contractors generally are given the impression that the Government will always bail them out, as has occurred in some individual cases, such as the Royal Armouries Museum or the Channel Tunnel Rail Link.

## **High Contractors' rates of return**

The private sector participants in a PFI project may earn returns from providing services as contractors to the project or on their investment in the project.

There is a risk that if a contractor builds high rates of return into the contract, it will be more expensive than if undertaken in the public sector. High contractors' returns might also reflect other factors such as the private sector putting a very high premium on certain risks which had been transferred by authorities. If this was the case, the authorities would be advised to bring such risks back into the public sector.

The Office of Government Commerce believed that shareholders' returns of 8 to 15 per cent in real terms would be reasonable. The PAC's report on the refinancing of the Fazakerley PFI prison showed that the contractor had made significant extra profit as a result of refinancing, increasing the shareholder returns to 39 per cent. The OGC said this was an early prison where there had been significant risk for the private sector, since in public sector procurement in areas like prisons there had been significant cost and time overruns. It would expect the private sector to make higher returns on successful early contracts. As the PFI market matured and the risks became better understood by the private sector, their rates of return might be expected to diminish towards the average returns earned in other market sectors.

The Chairman of the Major Contractors Group told the Public Accounts Committee that in his company, Kier Group, returns on PFI contracts were about 2.5 per cent of turnover compared with one per cent on other contracts. However, the risks were significantly greater in PFI projects and there were high bidding costs.

## **On skills and guidance**

Some authorities provide little or no training on contract management and there appear to be significant shortcomings in authorities' current approach to managing PFI contracts. The OGC should introduce further guidance and training on the key principles of good contract management, on evaluating the value for money of PFI projects in progress, and on mechanisms for maintaining value for money.