

Private Finance *ILL*usion

A briefing on the Private Finance Initiative
Issued by UNISON Scotland for branches.

July 2006

PFI flaws are highlighted as more staff come back in-house

Three pieces of good news show that major problems with the Private Finance Initiative and the contracting out of public services are being acknowledged in some areas:

South Lanarkshire Council's £400m secondary schools modernisation (which has just reached financial close) is the first PPP project in which no council employees will transfer to the private sector. And its £400m primary schools programme is being financed through traditional capital funding. Congratulations to South Lanarkshire Branch for working hard to achieve this.

Glasgow Royal Infirmary is bringing its facilities management contract back in-house, meaning more than 500 staff will return to the NHS.

The UK government has admitted that putting soft services

into long PFI contracts does not always provide value for money. The Treasury says FM services should not automatically be included and will have to pass stricter and more rigorous value for money tests - including improving flexibility, with transparency and market testing at points during the PFI contract when service requirements are re-assessed and repriced.

Plus, there has been recognition by many commentators that clinical decisions about healthcare services in Lanarkshire are being skewed by PFI contracts. (see page 2 on *A & E closure at Monklands Hospital.*)

However, there was bad news in May, when NHS Forth Valley announced it will use PFI for a new £300m hospital in Larbert and will outsource support

services. (see below)

Stephen Smellie, South Lanarkshire Branch Secretary, said that UNISON is pleased that the council agreed to keep soft services, cleaning, catering and janitorial services in-house. The exception to this is the security function for the building which will be the responsibility of the PPP company. Therefore the Council is able to guarantee no transfers.

Mr Smellie added: "This decision reflects the Partnership Agreement between the Council and the unions to develop services and protect jobs. We campaigned against the use of PPP. However we argued hard to retain staff, lobbied the councillors and were delighted to secure the jobs in-house.

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Privatisation slap in face for Forth Valley health staff

UNISON has condemned a decision to use PFI for a new £300m hospital in Larbert and to outsource support services.

NHS Forth Valley has announced that the new acute general hospital will be funded using PFI.

UNISON is particularly angry at the awarding of the facilities management contract to private firm Serco. It will provide cleaning, catering, portering, linen and other domestic services

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Artists impression of new site

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at the 800 bed hospital, which is to replace Stirling and Falkirk Royal Infirmaries. John Laing subsidiary, Equion will develop the hospital with construction carried out by Laing O'Rourke Ltd.

Assistant branch secretary Steve Hamill said that the outsourcing was privatisation by another name and UNISON Scottish Organiser for Health Glyn Hawker said the PFI route is an "expensive mistake".

Mr Hamill added: "This is a real slap in the face for our support staff members who only recently have been commended by Forth Valley Health Board for their efforts in dealing with major service change.

"The Board talk about partnership working but our members today are asking us why they have been so easily sidelined by their management partners.

"These are the same staff who

have won national awards for catering and cleaning standards in the last year.

"Now they're being sold off to the private sector."

Serco's contract is valued at around £450m over 30 years.

Ms Hawker said: "After all the financial scandals that have dogged the Edinburgh Royal Infirmary PFI, and the service delivery problems that have beset schools across Scotland, not to mention the danger of clinical decisions being taken on the basis of having to justify PFI contracts in Lanarkshire, it is deeply disappointing that the NHS is again going to make the expensive mistake of going down the PFI route."

Call for boycott over refinance profiteering

Last month a Liberal Democrat MP called for a boycott of Laing, Serco and other companies in the Octagon consortium, which was heavily criticised for profiteering over

the Norfolk and Norwich PFI.

North Norfolk MP Norman Lamb said public services in the UK should "think very carefully" before working with the firms.

Launching a Public Accounts Committee report in May, the chairman, Tory MP Edward Leigh, condemned £116m of profits to the private sector in a refinancing of the hospital PFI as "the unacceptable face of capitalism".

Serco provides facilities management services at Wishaw Hospital and has a range of contracts in England.

It employs more than 1100 people in Scotland, including at HM Prison Kilmarnock, marine support for the Royal Navy on the Clyde, and a real-time information system for bus passengers in Glasgow.

New PFI hospitals are skewing NHS decision making – Lanarkshire A & E controversy

NHS Lanarkshire has been urged to make public all the information which its board used in deciding to downgrade A & E facilities at Monklands Hospital in Airdrie, one of the two of its three hospitals where closing A & E was up for consideration.

Lilian Macer, chairperson of UNISON's Lanarkshire Health Branch, warned that expensive PFI contracts at Wishaw and Hairmyres hospitals meant the board was always going to unfairly target Monklands. She demanded a further period of consultation over the controversial decision.

In an editorial the Herald newspaper, among many to comment on the impact of PFI/PPP, said that the decision appeared to "defy all logic" and pointed out that Hairmyres needs "a high throughput of patients" to fund the PFI investment, "another poor excuse for targeting Monklands".

South Lanarkshire and Glasgow – successes to build on

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Mr Smellie said there were lessons for councils across Scotland.

“We have always made the point that if South Lanarkshire Council can do this there is no reason at all for any other Council transferring staff to the private sector within a PPP project,” he added.

The council adopted a Facility Management model for schools some years before and successfully argued to the Scottish Executive that their Best Value approach demonstrated sufficient efficiencies that out-sourcing would not be able to improve upon. Council leader Cllr Eddie McAvoy said it was important that school leisure facilities will be open to the community and that the council will “retain its entire staff”.

Meanwhile NHS Greater Glasgow and Clyde is to bring

its facilities management contract in the Glasgow Royal Infirmary back in-house when the current contract with Sodexo runs out in December. This means virtually all NHS services in Glasgow will be provided in-house with the exception of some PFI facilities.

Michael MacNeil, UNISON Regional Organiser, said; “We are very pleased. Welcoming back staff into the NHS team will mean both better service delivery for the patients and better conditions for these members of the NHS team.

“We’ve been campaigning for years to end the two-tier workforce and get private companies in the NHS to implement NHS pay and conditions.

This contract was the subject of a bitter dispute over low pay three years ago. This announcement is good news for all involved in the NHS.”

And on the Treasury’s FM

services decision, Unison general secretary, Dave Prentis, said: “At last the government has realised that there is no place for support services in PFI projects.

“This is good news for cleaners, porters, security and other staff who have previously been sold off to PFI contractors.

“The advice shifts the burden of proof of value for money onto those who want to include services in PFI projects. However Unison still believes that PFI does not deliver value for taxpayers’ money and an independent review of the evidence is needed now, more than ever.”

Further details on the Treasury move at:
www.unison.org.uk/asppresspack/pressrelease_view.asp?id=794

www.hm-treasury.gov.uk/media/1E1/33/bud06_pfi_618.pdf

SCOTLAND HAS HIGHEST PFI INVESTMENT PER HEAD OUTSIDE LONDON

THE value of PFI contracts in Scotland has risen to more than £7 billion.

The Scottish Executive Financial Partnerships Unit website lists £4.05 billion of done deals (signed and operational) and nearly £3.01 billion of future deals in its July 06 update.

The operational deals include £2.17 billion worth of schools projects and £574m of hospital projects.

Future deals include £898m for hospitals, £1.36 billion for schools and £680m for roads.

Full details are at:
www.scotland.gov.uk/Topics/Government/Finance/18232/13368

Scotland has the highest PFI investment per head of the population outside London. University of London researcher Steve Musson calculated the value of and per capita investment in PFI projects on a regional basis.

Up to December 2004 52% (£21,414m) of the UK value was invested in 97 projects in London. The second highest figure was 6.2% (£2,536m)

invested in 91 projects in Scotland. The lowest per capita investment was in the North West at £187, compared to £501 in Scotland and £2899 in London.

Mr Musson, lecturer in human geography, produced the analysis in a paper for Environment and Planning A.

He said it was important to understand the uneven regional geography of PFI, which is complex and has “important implications for the way in which we perceive regional public investment.”

How to find out about developments on PFIs near you

There are too many announcements of PFI schemes to list them all here when announced or updated. Details on Scottish Executive website at:

www.scotland.gov.uk/Topics/Government/Finance/18232/12308

See done & future deals. Scottish Schools PPP programme timetable is also listed separately.

Architects' anger

A survey by Scottish Construction News (SCN) branded the Scottish Executive's £2.3b schools replacement programme a waste of taxpayers' money.

SCN editor Jonathan Brown said: "There is a lot of anger in the industry and a real feeling too that PPP is a rip-off with big future costs to the public purse in the pipeline."

Glasgow architect Alan Dunlop complained that PPP schools are too often badly designed and "little more than a roof". He said: "In 20 years' time these buildings are likely to become as bad as the schools they replaced because the materials are not good enough and the design is poor."

And the government's architecture watchdog, the Commission for Architecture and the Built Environment (CABE), warned that public service delivery is suffering because the vast majority of PFI buildings have not been designed and built to a high enough standard.

It also said that 9 out of 10 of the worst designed new schools in England were built using PFI.

Meanwhile teenagers from Rosshall Academy in Glasgow submitted a petition to the Scottish Parliament and complained that their new PPP school had no locker space.

They want all new schools to be built with lockers and existing schools altered, arguing children suffer back pain carrying heavy bags.

The petitions committee praised the youngsters for being tenacious and passed their views on to Education Minister Peter Peacock.

Selected snippets

Scotland's Auditor General Robert Black has contradicted Scottish Executive claims that the £26.7m Skye Bridge PFI buyout was "good value for money".

He reported to the Scottish Parliament that the buyout was cost "neutral" in terms of public funds. First Minister Jack McConnell said in December 2004 it was an outstanding deal for taxpayers compared with the £38m cost of continuing the contract.

Meanwhile controversy continues about the legality of the bridge tolls. A senior prosecutor said he was never shown original documents.

David Hingston, former Dingwall procurator fiscal, told the BBC the government deemed the information commercially confidential.

He was stunned and said: "We know what a Stealth jet costs. We know what a nuclear bomb costs. What is so utterly commercially confidential about building a bridge after it has been built?"

The Scottish Prison Service has appointed a consortium to build and operate the new £88m PFI Addiewell Prison in West Lothian. It includes infrastructure and facilities management group Interserve, UK Detention Services, UKDS's

parent company Sodexho and Royal Bank Investments Ltd.

Campaigners have warned that PPP funded schools are damaging Scotland's parks and playing fields.

Holmhills Wood Community Park Action Group complained that multinational construction companies prefer new-build rather than refurbishments and to satisfy that preference councils are selling many existing school sites including playing fields for housing development and building on greenfield sites.

It accused some councils, including South Lanarkshire, Stirling and Highland, of using "questionable tactics" to over-ride local plans and avoid consultation on contentious PPP school projects.

The full report is at:

www.caithness.org/community/education/pppschools/HW_CAG_Report%2010_05.pdf

PFI UPDATE

UNISON'S campaign against PFI in Scotland is co-ordinated by Scottish Organiser Dave Watson. If you have news of PFI developments in your area, Dave would like to hear from you. He is based at: UNISON House, 14 West Campbell St, Glasgow, G2 6RX. Tel: 0870 7777 006 Fax: 0141 331 1203 Email: d.watson@unison.co.uk