

Stop Birmingham's Street Services PFI



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Introduction

Birmingham City Council is proposing a Public Private Partnership (PPP) to outsource its Highways Maintenance and Management work to the private sector under a 25 year Private Finance Initiative (PFI) project.

The projected cost to the taxpayer is £2.2 billion over the lifetime of the project but Amicus and the joint trade unions believe the work can be done at a fraction of the cost by keeping the work in the public sector.



About the PFI Project

In October 2003 Birmingham City Council (at the time Labour-controlled) announced its plans to outsource its street services work under a PFI project that would attract considerable PFI credits from the Government. The total cost would be £2.2 billion, with initial capital investment of £169 million and the remaining £2.045 billion financed yearly between the Council – £42.6 million per year – and the Government – £39.2 million per year.

This project will cover repair, maintenance and long-term management for all Birmingham's roads, pavements, footways, street lighting, traffic signals and signage. Council publicity says "Our existing council staff will work on the PFI scheme alongside the contractor's teams." But in reality this means that Council staff will no longer be employed directly by the Council and will instead be forced to work for a private sector employer, forfeiting many of the securities which led them to choose a public sector career in the first place. In other words, their jobs will be privatised.

After several years of setbacks, the current schedule for the project is that invitations to submit best and final offers will go out on 31 October 2006, with a four-month period after which the Council will spend two months evaluating the offers and discussing them with the Department of Trade and Industry (DTI). Then, after a final decision has been made and negotiations with the successful contractor concluded, the project preparation will begin on 1 December 2007, with actual commencement on 1 April 2008. From the original list of potential bidders, only two are left, other having left due to delays, concerns over profitability and uncertainty over the viability of the project.

Does Birmingham *need* this project?

Street services in Birmingham are run very efficiently and have been for a number of years. In the 1990s there was a push on social services and education in the city, which was made possible at the expense of the street services rolling highway maintenance programme. By 2001 this had resulted in a backlog of £56 million of work to be done, and it is largely this "evidence" that the Council at the time used to show its need for this PFI investment.

"Need" is the key here. The Government only gives PFI credits for work over and above the normal work that councils do. By demonstrating that there is a severe backlog, the Council secured the PFI credits, but the Council has provided inaccurate evidence of this need. For example the Council has claimed that 80% of street lighting stock is over 30 years old, a statistic that is completely untrue. Birmingham's street lighting has the best maintenance record in the country, and a survey of 2000 residents found that 80% were happy with their street lighting levels – a survey carried out by the Council. The truth is that since the PFI credits were awarded, Council workers have caught up with much of the backlog of work.

If the need for PFI was re-assessed using today's figures on investment and need for improvements it would be unlikely to qualify for PFI credits – the need is simply not there. But the only way the Council could qualify for the PFI credits is by exaggerating the amount of investment needed.

Does Birmingham *want* this project?

The public has not been properly consulted on this PFI project. Such consultation as there was amounted to 100 or so members of the public being asked "do you want better street services?", obviously a question no-one is going to say no to. Nor has the electorate been given an opportunity to vote on the project, it has just been pushed as the only way forward for street services. If they knew how much it was actually going to cost in the long run they would be unlikely to vote for it. To date Amicus estimates £5 million has been spent on merely setting up the project and paying outside consultants to draft documents – documents that in some cases have simply been cut and pasted from PFI outlines prepared for other Councils' PFI projects.

Council employees that would be affected by any transfer of their jobs under this PFI project do not want it to go ahead. In November 2005 Amicus members voted overwhelmingly (98%) for strike action. They believed (and still do) that there is a threat to their terms and conditions and that the real cost of delivering this work will increase at the public's expense. Amicus members want the Council to consider alternatives to privatisation such as secondment or subcontracting them to the PFI contractor(s). There are fears that the Council is considering watering down the protection to be given to transferring staff from the originally mooted super TUPE to a lesser enhanced TUPE.

So who *does* want this PFI?

It is well known that the Labour Government is totally committed to PFI as the way forward for public services. When the original PFI project was proposed the Council was Labour-controlled and very close to the Government, which saw Birmingham as the ideal test bed for introducing PFI as a new way of privatising local authority services.

Birmingham Council has since fallen out of Labour control, yet the current Conservative/Liberal Democrat leadership is still proposing to go ahead with the PFI project. Amicus and the joint trade union representatives have met regularly with the new leadership and discussions have been far more productive – the previous Labour leadership refused to meet with unions.

Council leaders have admitted that they do not even want this PFI project to go ahead but that they are under severe pressure from the Government to press ahead with it regardless of the fact that no-one in Birmingham actually wants it. But the Government is using financial pressure to commit the current Council to a decision made by a previous council, even though this decision has yet to be implemented - so much for the local democracy that the Government is otherwise so keen on promoting – in theory at least.

Amicus and the joint trade unions put forward an alternative funding report (prepared by the Association for Public Service Excellence) on the basis that the Council would seriously consider it if alternative funding could be found, yet no work was done on this alternative funding search.

Why this PFI is bad for Birmingham

So far this document has listed several reasons why this PFI is no good for Birmingham:

- There is no need for it
- It will increase costs to the public
- Council employees do not want it
- There has been no public consultation on it
- The current Council leadership does not really want it

To this list must be added several more reasons.

• PFI does not work

The whole point of PFI is to save local or national government from the burden of administering public works, thereby saving money. The risk of such projects is in theory transferred to the private sector, thereby insulating public finances from the failure of contractors to deliver the public service. But in practice, whenever this happens, the Government or local authority involved has failed to ensure contractors can be effectively held accountable. In the words of the Local Government Information Unit: "The government persists in the assumption that marketisation improves competition, without being able to point to a sufficient evidence base to demonstrate that this leads to improved services."

• PFI increases costs

If an essential service is privatised and if the privatisation does not deliver, the public will still have to foot the bill in the end to ensure the essential service can still be delivered. Inevitably this costs more money on top of that spent on setting up the original PFI project. Time after time the Government has had to bail out private contractors who are unable or unwilling to complete projects as the PFI projects have not been robustly designed to ensure accountability. Public bodies can borrow money at lower interest rates than private companies so it is a fallacy that private companies can deliver public services at a lower cost than the public service providers that have been providing them for decades.



• PFI is undemocratic

Voters are never given the choice of whether their public services should be privatised through PFI. Yet when PFI goes ahead, private companies are left to make decisions about which services should be prioritised and which should be skimmed on. Private companies are in the business of making money – making profits for their executives and shareholders. The banks that oversee borrowing for PFI are also in the business of making money. Profit is incompatible with democracy in this way. The end result is that public services suffer as contractors will always seek to drive costs down to increase their profits. This means the wages and terms and conditions of staff go down, along with the quality and responsiveness of the once-public services.

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- **PFI is unstable**

While private companies want to make profits, there is only so much risk they are prepared to take. Some £40 million of essential bridge and viaduct work from the original project plan has already been removed from the scope of the current project as the contractors did not want to take on this risk, and they are also arguing about insurance costs. The PFI credits were originally given for the original project with no allowance for changing this project, but the current bids are outside of what the Government agreed to pay for, so the Council is trying to make changes to make the scheme affordable whilst at the same time trying to get the Government to agree to pay more.

Any such changes to the project risk the forfeit of all the PFI credits. This would mean the millions of taxpayers' money spent on this deal would have been completely wasted, something Amicus has been warning the Council about since early on in the project's lifespan. The council has also not included the cost of the "retained client" – the company which will be charged with overseeing the introduction and continuing development and running of the PFI contract – in its communications with the Government. This was originally estimated as £1.6 million per year but is more realistically going to be £3 million per year to start – a figure which will of course rise in line with or above inflation.

The future?

It is still not too late for Birmingham's street services PFI project to be scrapped. Although the Council will have wasted millions of taxpayers' money since work on the project began, this is a drop in the ocean of money that will be wasted over the life of the PFI project if it goes ahead.

Amicus and the joint trade unions have provided the Council with a report that looks at alternative models for funding future work without privatising it. The report does not try to deliver investment on a like for like basis with the PFI but shows that there is a viable alternative. Amicus members ask why they are paying to financially support a Labour Government that is indirectly spending their hard earned membership fees to fight them in the workplace in this way.

The only way to ensure local democracy and best value in public service provision is by keeping public services public. Public is best.

For more information on our work in local authorities see www.amicustheunion.org/localauthorities/

Amicus is campaigning under the theme of 'valuing public services.' This includes the Amicus 'public service values':

- V**aluing public service users and staff
- A**ccountability
- L**ong-term commitment
- U**niversal access
- E**nd to market madness
- S**ustainability


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Hayes Court, West Common Road, Bromley BR2 7AU
Telephone: 020 8462 7755 • Fax: 020 8315 8234
www.amicustheunion.org