

## THE FUTURE IS PUBLIC: WORKING PAPER 14

### National, regional and local moves towards public ownership in the UK

By David Hall

The movement for public ownership in the UK has generated a new political debate about constructing a new public sector which is effective and transparent and is driven by local initiatives and accountability, as well as spurring debate about sector-specific plans. The Labour Party and We Own It are playing leading roles in this debate, culminating in the Labour Party's 2019 election manifesto<sup>1</sup> and *We Own It's* proposals for democratic governance of the public sector.<sup>2</sup>

Central government controls the structure of most public services in the UK and introduced extensive privatisations from 1980 onwards, both through the sale of utilities and the outsourcing of service provision. Some privatised utilities, such as energy distribution and water and sewerage, are organised regionally, but there are no elected regional bodies in England. Responsibility for some services, however, is devolved to the governments in Scotland, Wales and Northern Ireland, which has led to some significant variations.

Since the 1980s privatisation, outsourcing and austerity policies have undermined the professional and financial capacity of central and local governments. Local democratic control of education and health has also been eroded by reducing the power of local councils to manage schools, replacing public health care authorities with corporate trusts and contractual relationships, and encouraging further privatisation and outsourcing in both sectors. While they remain responsible for services such as public transport and housing, the financial and legal regime has made it very difficult for municipalities to provide such services themselves.

#### Local services

##### Insourcing

There has been a growing trend away from outsourcing, at all levels. A series of studies and reports have confirmed major problems with outsourcing in practice (IoG 2019,<sup>3</sup> APSE 2019,<sup>4</sup> Smith Institute 2018,<sup>5</sup> APSE 2017<sup>6</sup>), and a major contractor, Carillion, went into liquidation.

Although outsourcing was promoted as a way of reducing local government spending, in practice many local councils have started to insource service contracts in recent years – partly because insourcing is less expensive. Between 2016 and 2018 over 220 contracts were brought back in house, involving 33 per cent of Conservative-controlled councils, and 42 per cent of Labour-controlled councils. By 2019, 77 per cent of all local councils in the UK expected to bring some services in house, stating that they believe insourcing saves money, provides greater flexibility, and simplifies management – and also improves workers' pay and conditions. These services include building maintenance, waste collection, parks and leisure services, and cleaning, as well as a number of large office operations.<sup>7</sup>

##### Recent insourcing examples

- Stoke City council insourced its housing maintenance work in 2018, increasing workers' pay by £1,000 per year, and improving productivity and quality of service. The council has created an arms-length trading company to bid for other work, which last year produced a surplus of over £4 million for the council, and a proactive procurement policy means that over 80 per cent of materials are purchased locally.

- Islington council has brought back about £380 million in cleaning, building and grounds maintenance, and waste management services since 2011, helping improve the pay and conditions of 1,200 frontline staff and generating net savings of about £14 million.
- Birmingham City Council, the largest in the UK, has terminated a 12-year-old contract with Capita costing £45 million per year, and is creating a new in-house team to redesign and simplify IT systems, including better ways of using data to provide services and enable citizens to access information and services online, and expecting to save a total of £45 million in as a result.<sup>8</sup>
- In 2019 Local Government Mutual,<sup>9</sup> a new nationwide mutual insurance scheme, was created by a group of councils expecting to make significant savings for local councils, who are currently paying over £600 million in insurance premia.<sup>10</sup>
- In central government, the Driver and Vehicle Licensing Agency, which maintains and registers drivers and vehicles in the UK, ended 20 years of IT outsourcing with IBM and Fujitsu. The DVLA created a new in-house team which built a new system for online tax payments in less than two months.<sup>11</sup>

### Public-private partnerships (PPPs)

PPPs in the UK were set up under the Private Finance Initiative (PFI), which has now been abandoned by all parties. However, over 700 such schemes remain, schemes, with costly financial commitments up to 2051 and ongoing problems. Some PFI projects have been terminated and brought back in house, notably a series of major schemes set up by Transport for London (TFL), and a waste management PFI in Manchester. Many more PPPs collapsed and were replaced with direct services as a result of the 2018 bankruptcy of Carillion, which was involved in 420 PFI projects, with 18,000 employees, the great majority of whom were brought in house to continue providing services.

### Buses

Since the Thatcher government deregulated bus services in Britain, very few municipalities run their own services – only Reading and Nottingham in England, and Lothian in Scotland. London regulates all bus services, but government rules have prevented other cities, such as Newcastle, from attempts to do this. Now a vigorous campaign has persuaded the Mayor of Greater Manchester, Andy Burnham, to propose re-regulating buses, using new powers under a 2017 Act of Parliament. The campaign mobilised to win cross-party political support from Liberal Democrat councillors, a Green Member of the European Parliament, and a Conservative Member of Parliament, as well as Labour MPs and councillors in the city, and supportive motions from five of the 10 district councils in Manchester – and even, improbably, support from Prime Minister Boris Johnson for the principle of a council-regulated bus network.<sup>12</sup>

### Housing

Housing is a major issue in the UK, as elsewhere. Central governments have made it as difficult as possible for local councils to build and manage homes, and Thatcher's 'right to buy' policy means that existing council homes continue to be sold into private ownership. Norwich City Council has nevertheless found a way to build new public housing, using some of its own reserve funds as well as borrowing, and has created its own 100 per cent municipal housing development company, the Norwich Regeneration Company. The first result is a 100-home estate of low-rise housing, which has also been built to 'Passivhouse' principles of energy efficiency, reducing annual energy costs by 70 per cent. Gail Harris, the Labour council's deputy leader responsible for housing said: "It's about people having good quality homes and low fuel bills. And we plan to build a lot more." The homes have been nominated for an architecture award.<sup>13</sup>

### Health

The National Health Service (NHS) has been subjected to systematic privatisation by outsourcing since 2012. This has predictably led to a number of disasters, as well as creating unnecessary complexity. Even

the current Conservative government is now recognising the problems and is expected to modify the legal rules if it wins the December 2019 election – a major victory, which emphasises how damaging the effect has been. But the NHS still needs to be restored to a public service entirely provided directly by the public sector and protected against the threat of post-Brexit trade deals which could force further privatisation. A major campaign is underway to deal with this threat.<sup>14</sup>

The Thatcher government introduced outsourcing of hospital cleaning in the 1980s, at great cost to workers' pay and conditions as well as to standards of service. The devolved governments in Scotland, Wales and Northern Ireland ended outsourcing many years ago, and there is growing pressure on the remaining English authorities to do so: a 2017 study found that hospitals which outsourced cleaning had significantly higher levels of MRSA infections, which do not respond to antibiotics.<sup>15</sup>

## Regional level

Despite the lack of regional authorities in England, the countries of Scotland, Wales and Northern Ireland all have devolved powers, and have been more supportive of public ownership than the UK national government.

Water services in both Scotland and Northern Ireland have remained in public hands, as a result of strong public campaigns and public opposition, though some PFI schemes have been used to build water and wastewater treatment plants. In Wales the water company remains privatised, but was restructured by its senior management into a 'non-profit' private company, which is still financed by corporate bonds paying a good rate of interest, still pays its top executives about half a million pounds each per year, and still has no formal public accountability.

In Northern Ireland, the privatised electricity network, Viridian, has been taken over by EIB, the state-owned electricity company of the Republic of Ireland, creating a single public sector network throughout Ireland.

Scotland has rejected the marketisation of the NHS that has been introduced in England, and continues to run the NHS under direct control of the Scottish Executive – and, as noted earlier, Scotland, Wales and Northern Ireland took the decision to end outsourcing of cleaning in NHS hospitals in favour of 100 per cent directly employed staff.<sup>16</sup>

The Welsh government renationalised Cardiff Airport in 2013, ending much outsourcing, cutting carbon emissions and boosting the number of flights using the airport. The Scottish government had also renationalised Prestwick Airport to prevent its closure through bankruptcy but decided to re-privatise in 2019 as a result of cumulative losses.

Scotland also rejected the use of PFI/PPPs before the UK government did so; and rejected the introduction of student fees, so Scottish universities remain free to students.

## National level

Successful campaigns led by *We Own It* have succeeded in reversing a series of government privatisation plans, including:

- Forcing the government to bring the probation services back into public ownership, after a disastrous period of outsourcing (2019).<sup>17</sup>
- Forcing the government to take the East Coast railway service into public ownership (2018).<sup>18</sup>
- Forcing the government to abandon plans for privatising NHS Professionals, the agency providing temporary staff across the NHS (2017).<sup>19</sup>
- Stopping plans to privatise public service broadcaster Channel 4 (2017).<sup>20</sup>

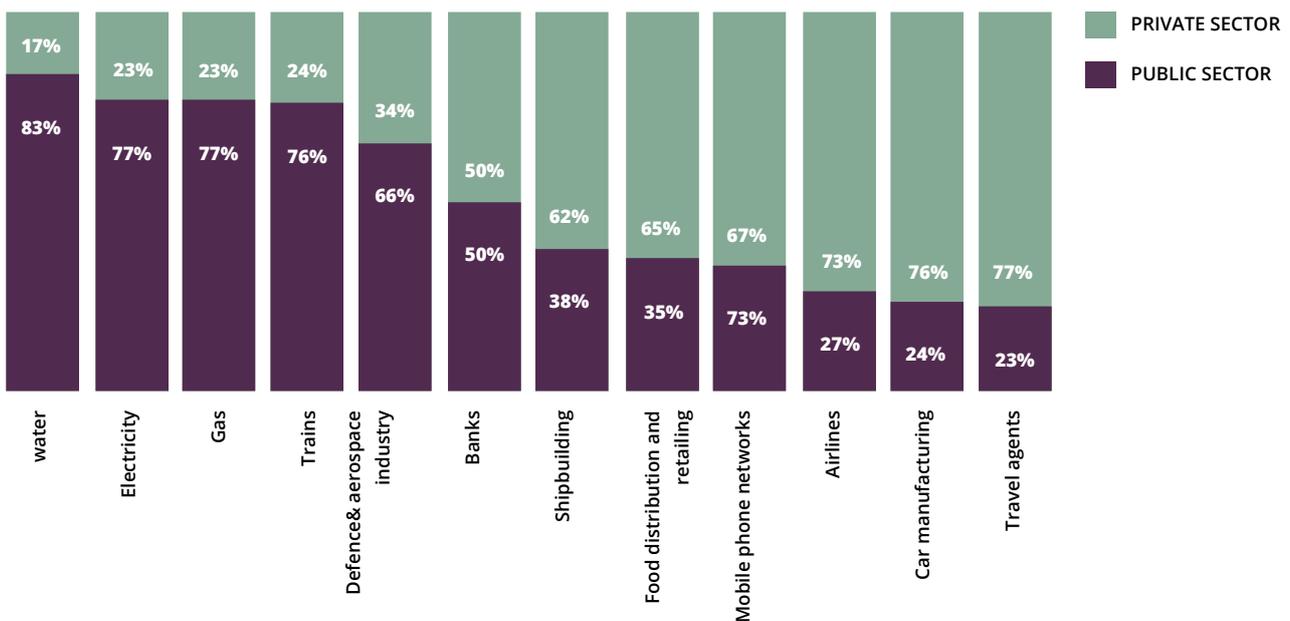
- Stopping plans to privatise the Land Registry, the national system for recording and validating land ownership in the UK (2016).<sup>21</sup>

We Own It also runs continuing campaigns for public ownership of water, rail, energy and postal services, which mobilise strong public support, and are reflected in Labour party commitments to bring these services into public ownership.

## Labour Party public ownership policies: 2017 and 2019 election manifestos

The Labour Party’s 2017 election manifesto included bringing water, energy grids and rail services into public ownership and operation and was a key factor in Labour winning 40 per cent of the vote – its best result for decades. An opinion poll shortly afterwards showed extremely high levels of public support for public ownership. Since then, there has been a much greater level of debate about the merits of public ownership in various sectors. The Labour Party has continued to drive this debate by developing wider and deeper policies for public ownership in a range of sectors, heavily influenced by the various local trends and initiatives described above and by the climate emergency.

Figure: UK public support for public ownership<sup>22</sup>



The 2019 election manifesto lays out plans which place climate change and renewable energy at the heart of economic policy. It includes the commitment to “deliver nearly 90% of electricity and 50% of heat from renewable and low-carbon sources by 2030.” The extension of public ownership across many services and sectors features repeatedly as part of this programme, with new transparent and participatory democratic structures.<sup>23</sup> The manifesto includes:

- The creation of new public national and regional investment banks, including a National Transformation fund of £400 billion, of which £250 billion will be dedicated to ‘renewable and low-carbon energy and transport, biodiversity and environmental restoration.’
- The creation of a new post office bank, following the renationalisation of Royal Mail, to provide reliable banking services for people as well as local co-ops, community enterprises and small businesses.

Details of Labour's manifesto, by sector, include:

→ **Energy:**

- Take 100 per cent public ownership of the national transmission grid and regional distribution grids, by nationalising electricity and gas companies and creating new national and regional energy agencies.
- Take public ownership, through regional authorities, of the Big Six energy supply companies (British Gas, EDF Energy, E.ON, Npower, Scottish Power, and SSE) which dominate the retail supply of electricity and gas in the UK.
- Enable municipalities and communities to take responsibility for generation, distribution, storage and/or supply of their own energy systems.
- Ensure public regional energy authorities take 51 per cent public ownership of all new offshore wind farms, the main future source of renewable energy for the UK and invest in onshore wind and solar energy as well.<sup>24</sup>
- Invest £1.8 billion into three large joint ventures to produce storage batteries, more investment into battery reprocessing plants, and public equity stakes of £300 million in new electric car manufacturing plants.
- Invest 20 per cent of the profits from offshore wind in parks, libraries and leisure centres for towns and communities.<sup>25</sup>
- Invest £3.6 billion through publicly owned regional distribution companies into a nationwide grid of 72,000 charging points for electric cars.<sup>26</sup>
- Invest £300 million investment to create 'community car clubs' owned by the community to enable electric car sharing.
- Ensure all government cars are electric by 2025.
- Invest in upgrading all 27 million homes in the UK to higher energy efficiency, saving £417 per year on the average energy bill.
- Create over 300,000 'climate' apprenticeships and create overall an extra 1 million new jobs in the 'green' economy.

→ **Buses:** Labour will provide free bus travel for everyone under 25, through £1.3 billion per year in subsidies for bus routes, and will legislate to enable all local councils to run their own bus services if they so choose.<sup>27</sup>

→ **Rail:** The railway network is already in public ownership. Labour policy is to bring the operation of routes under publicly owned railway companies, as existing private contracts expire, and invest to replace diesel engines with electrification.

→ **Water:** Labour will bring all the private water companies in England into public ownership, and create new regional public authorities to run them, that use open democratic processes.

→ **Housing:** Labour will introduce a new programme for local councils to build one million new public sector homes by 2030, with new powers to acquire land at low prices.

→ **Health care:** The Labour Party will create a publicly-owned company to produce affordable medical treatments for people who need them; and all public funding for drug research will be tied to socially prioritised health objectives, and will require universal access, affordability and complete transparency of all data and results.<sup>28</sup>

→ **Social care:** Labour will create a new National Care Service, free to all, will be based on rebuilding municipal capacity to provide care, including new municipal care homes, and funding to enable local authorities to take over existing private care homes.<sup>29</sup>

→ **Education:** Labour will integrate all existing private schools into the state education system.

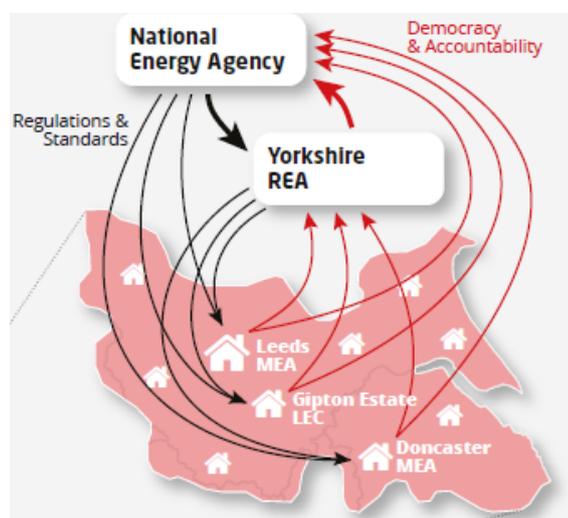
→ **Broadband and telecoms:** Labour will also nationalise the telecoms network and consumer services part of BT, and use it to deliver full-fibre broadband to every home in the country, free of charge to households – the costs will be financed through taxing the companies which benefit most from universal fast broadband, that is Amazon, Google, Facebook and the like.

The Labour manifesto also features plans for insourcing and PPPs/PFI:

- **Insourcing:** Labour will introduce new legislation to make in-house provision the default for all local government services, with tightly defined exceptions, so that as existing contracts expire, they will automatically be brought in house. It will also strengthen the standards expected of outsourced contracts in relation to service standards and employment and will make contractors subject to freedom of information laws. Labour is also advising local councils on how to insource work now.<sup>30</sup>
- **PPPs/PFI:** Labour will not create any new PPPs, prison PPPs will be terminated, and the remaining PPPs in the NHS will be brought back into the public sector

## Democratisation of public services

Many of Labour's plans involve devolving more powers and capacity to the regional, local and community levels. The party's energy proposals are a good example of this and would create regional authorities with overall responsibility for all parts of the energy system, but allow municipalities and communities to take control of systems in their own areas, subject to meeting performance and professional standards.



From the report *Bringing energy home: Labour's proposal for publicly owned energy networks*: (Regional Energy Agencies (REAs), Municipal Energy Agencies (MEAs) and Local Energy Communities (LECs)<sup>31</sup>

In response to a Labour Party policy commission, We Own It produced a detailed plan, 'When We Own It,' for democratic governance of a new public sector,<sup>32</sup> integrating local, regional and national levels. The plan outlines that:

- The core institutions will be the new national and regional authorities in water and energy (NWA, RWAs, NEA, REAs), which will own and provide strategic control of operating companies.
- These new public authorities will be governed by boards where the majority of seats are held by elected local councillors, and that also include representatives of workers/unions.
- Citizen representatives will be selected by a new organisation, Participate, to which all citizens and service users will belong by default.
- The regional authorities will form associations to carry out a public, transparent mutual exchange of information on best practice, known as 'sunshine regulation,' with active support from a national Office for Public Ownership.
- All data will be publicly available, and decisions will be made through public meetings with participatory budgeting and popular planning.

We Own It have also produced a 'People's plan' for water, a crowd-sourced manifesto for what the industry should be doing when it returns to public ownership.<sup>33</sup>

## Climate change a central challenge

As well as Labour's proposals for national action, many local initiatives are directly linked to dealing with climate change. Municipal companies supply and generate renewable electricity in Nottingham, Bristol and elsewhere, and Norwich is constructing new municipal homes with high energy efficiency. In public transport, Transport for London (TfL) has already introduced over 200 electric buses and has now ordered 20 hydrogen-fuelled buses.<sup>34</sup> The improvement and extension of bus services in Greater Manchester and elsewhere have similar effects of reducing carbon emissions.

At the time of writing, the result of the December 2019 election is uncertain. But these policies of the Labour party and campaigns by We Own It have already changed the political agenda and made a strong connection between democratic public ownership and decarbonisation.

### ABOUT THE AUTHOR



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### Endnotes

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**This working paper is presented at The Future is Public Conference (December 2019). The draft report "The Future is Public: Towards Democratic Ownership of Public Services" and 15 working papers together form the conference resources. The Transnational Institute and co-publishers will publish the improved report and final papers as a book in 2020. To access the conference resources: [futureispublic.org](http://futureispublic.org)**