

O Rose, thou art sick!

Outsourcing Glasgow's Cultural & Leisure Services

In December 2006, in the wake of the new Charities Act, Gordon Brown announced a £30 million fund to support partnerships between "community-led third sector organisations and local authorities", taking over the management or ownership of local assets. Presented as increasing community engagement, this compact was the launch of a so-called "public services action plan" setting out a long-term goal for the "greater role for the third sector in delivering public services".

At the same time, councils are under increasing financial pressure as a consequence of various initiatives including the Best Value and Efficient Government regimes, which provide the imperative for councils throughout Scotland to examine the provision of their services. As a result, public services are increasingly taken out of council control and thereby democratic accountability is inevitably compromised, but with councils still providing funding for the new forms of organisation. These have included the setting up of independent charitable trusts to take over the running of public services such as libraries, museums, theatres and sports and leisure centres. This is based on a belief that there will be substantial savings on rates and VAT, as these trusts can take advantage of tax benefits offered to charities; and on the expectation that a charitable trust is more likely to attract private donations than a council department, thereby freeing-up or attaining additional money to deliver services.

While the museums sector has been discussing the benefits and disadvantages of devolving museums for many years, and museum and leisure trusts have been in place for some time, there has recently been a surge in the number of trusts being set up. The Museums, Libraries and Archives Council in England recently commissioned a detailed report¹ into museum trusts in England and Wales suggesting that the reasons given for this expansion are seldom to improve efficiency or services. Instead, the procedure is often a response to funding difficulties, pressure from the Arts Council, a Best Value Review, or rationalisation of services. However, there is little evidence that the savings and improvements promised have actually materialised.

Findings show that many such trusts suffer funding problems as council support is phased out, while private donations either fail to materialise or do not consistently deliver the funding required to maintain services. Most additional funding is coming from public sources already available to museums. And even when looked at in the terms of the 2004 Gershon review of public sector spending, the process of moving museum services to trusts cannot generate substantial financial benefits as savings tend to be "non cashable" efficiencies: museums are not particularly well funded so there is little scope to make savings.

In Scotland, while many of these trusts initially performed satisfactorily, they appear to have come up against a similar set of problems: stagnation of core funding with savings and extra funding being slow to materialise; pension liabilities; as well as dealing with the costs of audit, internal and external regulation and reporting structures. The trusts also appear to have problems attracting and/or keeping good managers and trustees, which mean they also have great difficulty in managing both their day-to-day running and dealing with crises when they occur.²

As in England and Wales, trusts have limited options to make cash savings and so are introducing lower wages and poorer terms and conditions. In particular, many are increasing the use of casual staff. This means money can be saved on actual wages, sick pay, holiday entitlements

and pension contribution. The public sector workers' union, UNISON, in its Renfrewshire local government branch in December 2006 had 15 employment tribunals lodged under the Wages Act following changes in management at the Leisure Trust.

Robbing Peter to Pay Paul

In September 2006, in an unprecedented move, Glasgow City Council proposed to transfer the entirety of its Cultural and Leisure Services department to a private charitable trust. This includes all the Community Libraries, museums and art galleries; its leisure centres, swimming pools, golf courses and other sports facilities; parks and 'events'; community centres and facilities; 'social renewal' programmes; and 4,214 staff. This would be the first time that all these services, in particular libraries, had been hived off. What's more, the proposals were rushed through the Council with little or no public consultation in order to set up the huge charity before the 2007 Scottish parliamentary and local elections. Consultation meetings with the trade unions on the transfer were subsequently arranged. Crucially, however, these meetings were only to discuss the mechanism of the transfer. As far as the Council and the Department were concerned, the principle of the transfer had already been established, and it was merely a matter of consultation with the trade unions on aspects which would affect the terms and conditions of members.

UNISON – representing the majority of public sector workers affected – went to court just days before the proposed transfer to seek a judicial review of the decision and an interim interdict to prevent it, believing the Council's proposals potentially breached the 1887 Public Libraries Act which indicates that they have a duty to manage the public libraries, museums and art galleries.

In failing to consult with the people of Glasgow on the transfer, UNISON also believe the Council has acted in a manner that is contrary to both the spirit and the letter of democratic accountability. Since this proposal was first announced, there have been no public meetings held by the Council to discuss the proposal with the people of Glasgow. With such an important measure being proposed it would surely be expected that some form of public consultation exercise should have been undertaken. Reasons for rushing it through could be due to the negative publicity it would attract given the rising tide of opinion against the results of stock housing transfer and the prohibitive cost of yet another PR exercise in its wake.³

Another major concern is that this is little more than a glorified tax-avoidance scheme – the financial advantage being in establishing the trust as a 'charity' and then claiming the tax and rates exemptions that apply. Whilst the Council were pushing through the transfer, the Scottish Labour Party belatedly acknowledged this and made a policy commitment for this year's Scottish parliamentary elections that the legitimate incentives that apply to charities are not used as vehicles for outsourcing by local authorities. The reason being that this could mean increased financial pressure on the services that remain if it became the norm, as a loss of business rates would surely lead to less money being passed on to councils. So an attempt to avoid their own party's policy commitment before it became legislation could well be the dominant motivating factor for the speed with which the Council rushed this through.

UNISON is openly challenging the transfer to the new trust, arguing that it is detrimental not

only to the interests of its members, many of whom are Glasgow residents and council tax payers, but also to the people of Glasgow. Yet, despite the obvious objections to compromising the democratic accountability of public services, there appear to be no sound service delivery reasons for such transfers. UNISON argues that trusts often behave more like arms-length companies rather than traditional charities, with an agenda geared towards the 'disposal' of services in areas of social deprivation, eroding standards and cost-cutting. It is also aware of examples of leisure trusts attempting to delay or even stop wage rises to staff and to cut national pay and conditions.

It is no coincidence that this agenda is being pursued when Glasgow City Council is attempting to deal with the issue of equal pay and its associated costs.⁴ Clearly, this proposal is not about improved service provision, but about doling out services and saving an estimated £8 million which will fund part of the cost of the Council's failure to deal with equal pay. This contradicts Harriet Harman who, during the Labour deputy leadership contest in May, admitted that the government is failing to get a grip on how to handle the £3bn bill facing local government due to equal pay claims, and that the government needs to take stock of the impact of contracting out services in health, social care and local government as it is "one of the key factors driving continued unequal pay".⁵

Elected Members will have little or no influence in the running of cultural and leisure services unless they happen to be the 'lucky' six on the new Trust's board. With the transfer the Council will effectively remove democratic accountability from a large range of services and lose control and ability to direct them, with the knock-on effect of not being able to meet its own objectives and key priorities. Things like the expansion of centres like Scotstoun Stadium and its use for events will be removed from effective democratic accountability. Likewise what happens in Glasgow's parks, with the pressure to sell-off open space for development by predatory business, as well as the land sales in expectation of the Commonwealth Games, will be down to the Trust not the Council. One of Glasgow's proud boasts is that of the free access to museums. How long will that last if the Trust gets into financial difficulties? Currently Glasgow's schools get free trips to the museums and free access to leisure facilities. This is arranged by a cross-charge system between two Council departments. Will this remain when one is no longer a council-run service?

Huge 'pseudo-charities' cut from existing council services are not charities in the accepted sense. Because they are created simply to exploit the legitimate incentives offered to existing charities, they give legitimate charities a bad name. They offer massive and unfair competition to grassroots projects for the limited funds available from local Councils for cultural services as well as other charitable and cultural funds such as the National Lottery. Their impact is not unlike the effects of the London Olympics' raid on the National Lottery and Arts Council England and its impact on good causes. In addition, grant giving powers for culture will also be transferred to the Trust. What does this mean for diversity and equality in terms of having control over distribution of funds in a diminished field, the Trust set up to soak up resources that would otherwise be available to grassroots organisations?

There is a lot of publicity about trusts' increased ability to raise private donations and become involved in joint partnerships with the private sector. However, the experience of previous 'outsourcing' both in England and Scotland has

produced little evidence that more private money is coming in – most additional funding to museum trusts comes from public funds. To rely on such donations and grants to run our services puts them in the high risk area of the voluntary sector, who rightly complain about the uncertainty that such funding entails.

Staff are the people who do badly out of these transfers, with no long term guarantee regarding their pay and conditions. The loss of the ‘economies of scale’ in things like human resources, maintenance or procurement often means higher operating costs. There is no evidence that management improves. This means increasing financial crisis, which in turn leads to appeals to the council to ‘bail them out’ and cuts in staff wages and conditions. Many trusts have cut jobs, increased casualisation, and reduced opening hours.⁵

The giving away or leasing of Glasgow’s physical Common Good Assets is of dubious morality and legality. Many of the collections in Glasgow’s Museums and Libraries were given to the people of Glasgow, e.g. the Burrell Collection. To give (or even to lease) these away to a non-accountable body with no consultation with the people is ethically (if not legally) wrong. In case you were wondering exactly what’s held in Common Good in Scotland, so is the Scottish Parliament. David Harvie in his ‘Culmination of Public Petitions Process on Common Good Assets’, delivered to the Scottish Parliament, writes that:

“It is accepted that, over a very long period, proper accounting has been slipshod and inconsistent, and that many millions of pounds worth of assets – buildings, land, rentals, art collections, and other artefacts – may have been disposed-of, misapplied or otherwise lost to their rightful owners – the people of Scotland...[D]ue to mis-accounting and deliberate under-valuing, the claimed total value of Scotland’s Common Good Assets of £180 million might more appropriately amount to £1.8 billion.”

As recently as March 2007, the Scottish Parliament’s Local Government & Transport Committee was still deciding its approach to the widely admitted problems relating to ascertaining Common Good assets held by local authorities.

On Glasgow’s proposed transfer, Harvie writes: “Many assets should be included on the Common Good Fund Register but Glasgow’s Chief Executive states that he has now asked that this ‘be reviewed and updated’ after the transfer to the Charity/Trading Company. The legal risk assessment for the new Charity/Trading Company states that ‘the legal due diligence process is less comprehensive than it might otherwise have been due to the relatively short timescales available’, while ‘leases for the properties require interim licenses to be put in place’, and notes the ‘risk that Trustees of major trusts and major donors might decline to sanction Collections’ agreement’.”

April Fool

In February 2007, Glasgow City councillors voted and on 1st April removed the City’s entire Cultural and Leisure Services and staff out of the control of the people and delivered them into the hands of bankers. The Charitable Trust and Trading Company ‘Culture and Sport Glasgow’ is controlled by ten unelected Trustees. These comprise of six members from the Council, headed by The Lord Provost, Councillor Liz Cameron, and four Independent Directors: Lord Stevenson of Coddanham, Chair of HBOS; Sir Angus Grossart, Chair and Managing Director of the merchant bank, Noble Grossart Limited; The Rt Hon The Lord Macfarlane of Bearsden KT, former director of Clydesdale Bank plc; George Reid MSP, former



Presiding Officer of the Scottish Parliament. Keith Baldassara, then a SSP Councillor, said of it:

“Culture and Leisure is not only a service provider, but a major procurer of goods and services, and these fat cats will be making sure that the companies they have their fingers in will be benefiting.”⁶

One of the first things the Trust did was to create and advertise for the new post of ‘media manager’ with the “enthusiasm and energy to ensure a positive media profile for Culture and Sport in Glasgow” – otherwise known as ‘spin’. The position went to James Doherty, former BBC soap writer for River City and former senior press officer at Glasgow City Council, at an additional cost of £51,952-a-year. When part of the Council, this function was carried out by the Council’s press office, no doubt overseen by Doherty himself. Now that Culture and Sport is independent, the Trust has to spend additional money on important support functions – rather than on direct public services. The same will apply to personnel, finance, administration, maintenance and much else. How efficient and accountable is such a duplication of resources, especially as we will now not be allowed to find out how the private organisation spends our money as board meetings are to be held in private and it is not subject to the Freedom of Information Act?

In March, UNISON applied for an interim interdict against the Council’s proposals at the Court of Session. However they were not successful, but crucially the judge agreed that there were concerns in relation to the legal obligation on the provision and management of Libraries, and aspects of the Common Good and gave UNISON leave to seek a judicial review of the entire process which will be concluded in early June 2007.

What’s more, the European Commission is investigating Culture and Sport Glasgow over alleged breaches of state aid rules and anti-competitive tendering under European Law. The complaint is that the Council should have put the services out to tender, allowing other companies to compete to run the services, with fines and massive job losses in the pipeline if the Commission rules against them.

Hopefully the new Scottish Executive will want to re-evaluate their investigations based on such ‘new’ and emerging evidence.

Primary material sourced from UNISON. With thanks to John Devine and Bob Hamilton.

Notes

- 1 ‘Moving to Museum Trusts’, http://www.mla.gov.uk/resources/assets/M/museum_trust_report_part_1_9297.pdf
- 2 For example: In June 2006 Annandale and Eskdale trust had to ask Dumfries and Galloway Council for a handout of £40 000 for its financial crisis. They were not

prepared for the rise in fuel costs. They also threatened staff with job cuts and reduced opening hours at its facilities. Aspire Trust, which had a contract to run East Hertfordshire’s Leisure services, was £500,000 in the red in its first year. They had predicted savings of £980,000. The council only saved £50 000 in the first year while the trust has a projected shortfall of £278,475. Also see: <http://www.unison-scotland.org.uk/briefings/leisuretrusts.html>

- 3 Ironically, a Glasgow City Council (GCC) spokesperson recently confirmed libraries could not display any material which could be regarded as ‘political’. ‘Save Our Homes’ campaign which has been challenging Glasgow Housing Association over home improvement bills on behalf of dozens of families, tried to put a poster up in a library to advertise the demo and was told to take it down. According to the Local Government Act 1986, a council must not publish material which “in whole or part appears to affect public support for a political party”. Twenty years after Thatcher brought this in as part of her assault on the GLC, in particular its support for cultural activities, GCC have suddenly decided to interpret this in a way that they designate all Cultural activity and institutions as coming under the rubric of the activities of Council ‘publicity’ – which perhaps says more about how GCC see ‘Culture’.
- 4 See: ‘Equal pay compensation claims cost £117m ... and counting’, *Sunday Herald*, 17th March 2007, <http://www.sundayherald.com/misc/print.php?artid=1267757>
- 5 ‘Harman warns of £3bn equal pay timebomb facing councils’, *The Guardian*, May 26, 2007, <http://politics.guardian.co.uk/deputyleader/story/0,,2088639,00.html>
- 6 *Scottish Socialist Voice*, issue 295

Links

www.glasgowLOST.org
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www.citystrolls.com
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