Chapter 6

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

By David Hall

The movement for public ownership in the United Kingdom has generated a new political debate about constructing a new public sector that is effective, transparent and driven by local initiatives and accountability. It has also spurred debate about sector-specific plans. The Labour Party and the public campaign organisation We Own It are playing leading roles in this debate, culminating in the former’s 2019 election manifesto and the latter’s proposals for democratic governance of the public sector. The December 2019 general election in the UK was decisively won by the Conservatives because they prioritised Brexit, which was the overwhelming issue, but public support for public ownership of utilities and public services is now very strong population-wide. Even the re-elected Conservative government re-nationalised a major rail franchise in January 2020 and threatened to do the same with others.

Central government controls the structure of most public services in the UK. From 1980 onwards extensive privatisations were introduced both through the sale of utilities and through 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 significant variations across the UK.
Since the privatisation of the 1980s, 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 healthcare 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

Although outsourcing of services is becoming less and less popular at all levels of government, it is perhaps most visible locally. A series of studies and reports have confirmed major problems with outsourcing in practice. An illustrative case is the collapse of Carillion, a major British construction and facilities management services company. With 420 contracts with municipalities across the UK, the company’s liquidation sent shockwaves through government.

Outsourcing has conventionally been promoted as a way of reducing local government spending. In practice, however, 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. As shown in Box I, these services include building maintenance, waste collection, parks and leisure services, and cleaning, as well as a number of large office operations.
Public-private partnerships (PPPs) in the UK were set up under the Private Finance Initiative. Despite the fact that this policy has now been abandoned by all parties, over 700 such schemes still remain. These bring...
costly financial commitments up to 2051 and ongoing problems. Some Private Finance Initiative projects have been terminated and brought back in house. Notable examples here include a series of major projects set up by Transport for London and a waste management one 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 Private Finance Initiative projects and other outsourced contracts. Of Carillion’s 18,000 employees, 14,000 were transferred to new employers – most of them as public sector employees to continue providing services.11

In addition to Labour’s proposals for national action, which will be detailed below, many local initiatives are also directly linked to dealing with climate change as a central challenge. 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 has already introduced over 200 electric buses and has now ordered 20 hydrogen-fuelled buses.12 The improvement and extension of bus services in Greater Manchester and elsewhere have similar effects of reducing carbon emissions.

Continuing pressure for restoring public sector delivery of local services can also be seen in three major sectors: buses, housing and health.

Buses
Ever since Margaret Thatcher’s government deregulated bus services in Britain in the mid-1980s, very few municipalities have run their own services – only Reading and Nottingham in England, and Lothian in Scotland. While London regulates all bus services, 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. It also succeeded in getting 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.13

**Housing**

Housing is a major issue in the UK. 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, the Council 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 that has been built to meet ‘Passivhouse’ principles of energy efficiency. This has reduced 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.14

**Health**

The National Health Service (NHS) has been subjected to systematic privatisation by outsourcing since 2012. This has led to a number of disasters and created unnecessary complexity. Even the current Conservative government is now recognising the problems and is expected to modify legal rules to allow insourcing again. This is a major victory, but the NHS still needs to be restored to an adequately funded public service entirely provided by the public sector and protected against post-Brexit trade deals that analysts say could force further privatisation. A major campaign is underway to deal with this looming threat.15 The Thatcher
government introduced outsourcing of hospital cleaning, at great cost to workers’ pay and conditions as well as to standards of service. This is because medical services and hospital maintenance are interrelated: as a case in point a 2017 study found that hospitals that outsourced cleaning had significantly higher levels of MRSA infections, which do not respond to antibiotics, confirming fears that outsourcing leads to lower hygiene standards. This is why 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.

**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. Notably, 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 Private Finance Initiative schemes have been used to build water and wastewater treatment plants. In Wales the water company remains privatised. Although it was restructured by its senior management into a ‘non-profit’ private company, it 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 lacks formal public accountability.

Other examples of regional pro-public policies include:

- In Northern Ireland, the privatised electricity network, Viridian, has been taken over by EIB, the state-owned electricity company of the neighbouring Republic of Ireland, creating a single public sector network throughout the island.
- 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.17

- The Welsh government remunicipalised Cardiff Airport in 2013, ending much outsourcing, cutting carbon emissions and boosting the number of flights using the airport. The Scottish government had also remunicipalised 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. Scottish universities therefore remain free to students.

National level

The trend away from outsourcing services has affected central government too. By way of illustration, 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 agency created a new in-house team that built a new system for online tax payments in less than two months.18

Successful campaigns led by We Own It have also managed to reverse a series of government privatisation plans at the national level, including:

- Forcing the government to bring the probation services back into public ownership, after a disastrous period of outsourcing (2019).19
- Compelling the government to take the East Coast railway service into public ownership (2018).20
- Forcing the government to abandon plans for privatising NHS Professionals, the agency providing temporary staff across the NHS (2017).21
- Stopping plans to privatise public service broadcaster Channel 4 (2017).22
• Derailing plans to privatise the Land Registry, the national system for recording and validating land ownership in the UK (2016).23

We Own It also runs continuing campaigns for public ownership of water, rail, energy and postal services. These 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 manifestos

The Labour Party has been at the forefront of the alternatives to privatisation debate in the UK. Its manifestos decisively brought such issues to the mainstream. 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 (see Figure 2) 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 2019 manifesto developed wider and deeper policies for public ownership in a range of sectors, influenced by the various local trends and initiatives described above, by the climate emergency, and by the economic benefits for people and for local economies. These policies have also been shown to be immensely popular with all sections of the public.24

The 2019 election manifesto laid out plans that placed climate change and renewable energy at the heart of economic policy, including the public sector’s role in the matter. It included 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 featured repeatedly as part of this programme, with
new transparent and participatory democratic structures. The manifesto included commitments to new public sector banks:

- The creation of new public national and regional investment banks, including a National Transformation fund of £400 billion, of which £250 billion would 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.

Box II

Details of Labour’s manifesto, by sector

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.
- Invest 20 per cent of the profits from offshore wind in parks, libraries and leisure centres for towns and communities.
- 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 £3.6 billion through publicly owned regional distribution companies into a nation-wide grid of 72,000 charging points for electric cars.\(^{28}\)

• Invest £300 million 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**

Implement free bus travel for everyone under 25 years of age, through £1.3 billion per year in subsidies for bus routes, and legislate to enable all local councils to run their own bus services if they so choose.\(^{29}\)

**Rail**

Bring the operation of routes under publicly owned railway companies (the network itself is already public), as existing private contracts expire, and invest to replace diesel engines with electrification.

**Water**

Bring all the private water companies in England into public ownership and create new regional public authorities to run them using open democratic processes.
**Housing**
Launch 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**
Set up a publicly owned company to produce affordable medical treatments for people who need them; and tie all public funding for drug research to socially prioritised health objectives, including universal access, affordability and complete transparency of data and results.30

**Social care**
Create a new National Care Service, free to all, 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.31

**Education**
Integrate all existing private schools into the state education system.

**Broadband and telecoms**
Nationalise the telecoms network and consumer services part of BT Group, and use it to deliver full-fibre broadband to every home in the country, free of charge to households – the costs would be financed through taxing the companies that benefit most from universal fast broadband, such as Amazon, Google, Facebook and the like.
**Plans for insourcing and PPPs:**

**Insourcing**

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 would also strengthen the standards expected of outsourced contracts in relation to service standards and employment and make contractors subject to freedom of information laws. Labour is also advising local councils on how to insource work now.  

**PPPs**

Labour would not create any new PPPs, prison PPPs would be terminated, and the remaining PPPs in the NHS would be brought back into the public sector.

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Figure 1: Energy democracy in Labour’s manifesto

Democratisation of public services

Many of Labour’s plans, if elected, would have devolved more powers and capacity to the regional, local and community levels. The party’s energy proposals are a good example of this. They would have created regional authorities with overall responsibility for all parts of the energy system, with municipalities and communities taking control of systems in their own areas, subject to meeting performance and professional standards.

In parallel to these policy developments, We Own It produced a detailed plan, ‘When We Own It’, for democratic governance of a new public sector, 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 (National Water Authority, Regional Water Authorities; National Energy Agency, Regional Energy Agencies), which will own and provide strategic control of operating companies.

These new public authorities will be governed by boards in which the majority of seats are held by elected local councillors and which also include representatives of workers/ unions.

Citizen representatives will be selected by a new organisation, named 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 has 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.34

Big support for public ownership despite 2019 election defeat

Despite the large majority won by the Conservatives in the December 2019 election, direct surveys of voters carried out at the same time show that a substantial majority of UK voters support nationalisation and public sector operation of post, water, energy, rail and buses – as proposed in the Labour Party manifesto (see Figure 2). Support for these policies had grown measurably stronger since the 2017 election. Moreover, this majority support is very consistent across all age groups, regions, class, income, gender and ethnicity. It also extends across political parties; Conservative voters support public ownership in rail and water, and Liberal Democrat voters favour public ownership in energy, buses and post too.35

![Figure 2: Public support for public ownership in Great Britain, December 2019 (YouGov)](source: YouGov/Neon survey UK, 11-12 December 2019.)
This has been described as a new ‘political consensus’ by commentators in the Financial Times, The Times and Independent. The new Conservative government duly demonstrated this by nationalising a second rail franchise only six weeks after the election, and it is likely to do the same with other franchises. The political economy of public ownership will continue to be a major issue in the UK in the coming years.

ABOUT THE AUTHOR

David Hall is Visiting Professor at the University of Greenwich, London. His research focuses on the politics and economics of public services, public finance, privatisation and PPPs. From 2000 to 2013 he was Director of the Public Services International Research Unit (PSIRU). David has published numerous PSIRU reports and other journal articles and worked with social movements, civil society organisations and trade unions on all continents. He has also been a guest lecturer at the World Bank Infrastructure Division and invited to speak at meetings of United Nations agencies, the Organisation for Economic Co-operation and Development and other organisations.
Endnotes

2. We Own It (2019) When We Own It. https://weownit.org.uk/when-we-own-it
3. Brexit refers to the withdrawal of the United Kingdom from the European Union.
9. https://lgmutual.co.uk/
15. See the We Own It website: https://weownit.org.uk/public-ownership/nhs, https://weownit.org.uk/blog/heres-how-really-get-our-nhs-table
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19 https://weownit.org.uk/blog/victory-probation-be-brought-public-ownership

20 https://weownit.org.uk/blog/east-coast-victory

21 https://www.ft.com/content/e5e9b832-93a0-11e7-a9e6-11d2f0eb7f0

22 https://www.theguardian.com/media/2017/mar/28/channel-4-will-not-be-sold-off-but-could-be-moved-out-of-london

23 https://weownit.org.uk/public-ownership/land-registry


25 https://labour.org.uk/manifesto/


33 We Own It (2019) When We Own It. https://weownit.org.uk/when-we-own-it

34 https://weownit.org.uk/peoples-plan-water-map


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