

# Together we can win direct investment to improve our estates

All over the country tenants are rejecting the government's three options for privatisation - stock transfer, PFI, and ALMOs. Hundreds of thousands of tenants have voted NO to privatisation. Tenants on the Maiden Lane estate in Camden voted by a massive 81% against a PFI scheme.

A large and growing campaign is calling for a fourth option - direct investment in council housing without strings.

Over 250 MPs have backed the demands for direct investment - and more are coming on board. The influential select committee which oversees the Office of the Deputy Prime Minister has called for the same financial resources to be made available to tenants who don't want their homes run by a private company. (ODPM Select Committee, *Decent Homes*, May 2004).

A growing number of councils - 64 at the latest count - are resisting the blackmail and choosing to keep their homes in public ownership and democratic control. Some of the most recent to announce that they will keep their council housing are Greenwich, Bristol, Leicester, and Croydon.

At last September's Labour party conference there was an 8-1 vote for a 'level playing field' for council housing. Speaking at the conference, Deputy Prime Minister John Prescott conceded: 'Public financing of housing doesn't treat local authorities on a

level playing field and I want to see that changed and I promised to do that and look at an enquiry into it.' He has since tried to renege on this promise - let's hold him to it.

Tenants, councillors, MPs and housing professionals are calling on John Prescott to keep his promise and provide direct investment. The Audit Commission released a report in June describing the current system of financing council housing as "perverse" and calling for the government to provide extra support for big metropolitan councils like Lambeth who need it.

Council housing pays for itself. If the government stopped subsidising privatisation and used all rents and receipts from right to buy there's enough money to do all the repairs and improvements needed to all the council homes in the country.

Let's resist the blackmail and demand that Lambeth council stop pushing PFI and lobby the government instead, so we can have investment in our homes, without strings.

## RESIST THE BLACKMAIL VOTE NO

### Housing Benefit PFI A Lambeth Disaster

There have been lots of press reports of the nightmare caused by councils using contractors to run their Housing Benefit services.

The *New Statesman* magazine reported on 9 July 2001 that "The PFI contracts to ITnet to manage housing benefit in Islington, and to Capita to do the same in Lambeth, resulted in families being thrown onto the streets, as backlogs of claims grew into the tens of thousands.

In local, as in national, government, councils found the consumer had little choice. Lambeth will have to pay millions to be rid of Capita, while Islington Council's leader, Steve Hitchens, told me that huge amounts of officer time were being wasted in negotiations with ITnet."

## What About The Alternatives?

The council has to consider all the alternatives to PFI. Why hasn't it discussed them with us?

Lambeth receive £824 per year per home as a major repairs allowance for council homes - how much work could this do at Myatts Fields?

They are prepared to allow extra private development on the estate for the benefit of a PFI company - what if the council did this and used the money to improve our homes directly? Its not perfect, but it is an option.

We asked them to explain the ridiculously high cost of the PFI bid so that tenants could work out possible alternatives - they refused to give us any details.

Why haven't they considered raising money from other sources?

They've refused our request for information on the cost of refurbishment instead of demolition - they seem determined to demolish the special disabled dwellings against residents' wishes.

Its about time they sat down with the people who live here and discussed the improvements we really need and how to achieve them, instead of telling us that PFI is the 'only' way of getting the work done!

**"PFI for refurbishment ought to be put out of its misery as quickly as possible"**

**Jeff Zitron, director of Tribal HCH, Inside Housing 25.02.05.**

Tribal HCH (formerly Hacas Chapman Hendy) is one of the biggest consultancy firms providing advice to councils on PFI and other privatisation schemes.

# DEFEND COUNCIL HOUSING

# VOTE NO TO PFI



Housing PFI is becoming increasingly unpopular with tenants and it's record is disastrous.

Tenants on the Maiden Lane estate in Camden voted by over 80% NO to PFI. Only three schemes have actually begun, and one of those, in Islington, has been a disaster (see inside for details).

One has been abandoned altogether, and another is still in negotiation after being rejected by the Treasury as too expensive ...even the government now admits that PFI to improve housing is not a good solution.

Lambeth council says there is no alternative. This is blackmail. It would be much cheaper for the council to do the work direct. There is a large and growing national campaign to force the government to let councils do the work themselves.

Ambitious councillors and senior council officers want to look good with the government - that's why they are pushing PFI. On the back page we look at some alternative options that Lambeth don't seem to want to discuss.

The idea that these private companies will still be running our estates in thirty years time when we might be gone and our children are the tenants is truly frightening.

The extra costs involved, the contracts negotiated behind closed doors, and the real danger that schemes can and do go pear shaped at our expense, mean council tenants will lose out if PFI comes in.



### PFI is expensive

High rates of interest to banks and profits for the private company means less to spend on repairs and improvements.



### PFI is risky

The PFI scheme will last for thirty years. If it goes pearshaped then its the tenants who will suffer.



### PFI - worse services

PFI schemes are notorious for poor standards and it's difficult for the council to police the contract.



### PFI - escalating costs

Massive amounts will be spent on lawyers, consultants and monitoring the contract. As costs soar improvements to our homes get cut.



### PFI takes years to setup

They are long-winded, complicated and often delayed until the companies get the deal they want - or they fall through altogether



### Public housing not private profit

PFI means a private company "generating income" from our estate. We'll pay the price.

## Conflict of Interest

At the root of the problem with PFI is a fundamental conflict of interest. Public services are provided to satisfy people's needs. Private companies have a simple motive to maximise their profits.

Company directors have a legal obligation to look after the interests of their shareholders - certainly not council tenants.

For more information or to join the campaign against PFI at Myatts Fields, PHONE OR TEXT 07900 657841. Also see the national DCH campaign website [www.defendcouncilhousing.org.uk](http://www.defendcouncilhousing.org.uk)

## Don't take the risk... Demand direct investment in our estate

# Disaster Strikes Islington PFI

The first housing PFI schemes have only recently been set up, but already evidence is emerging of disastrous experiences.

The Islington Tribune reported in March 2005 on problems which included "sub-standard workmanship, bullying site managers, a lack of care for residents and their homes...and builders who left work incomplete, unsafe or unsatisfactory". After a series of complaints, an investigation by the council revealed that "None of the tenants was satisfied that the contractor worked in a clean and tidy manner and protected belongings."

A survey obtained after a Freedom of Information enquiry revealed that

**"During the last 12 months United House...have arrived unannounced and tried to force entry; employed illegal labour; broken over half the pledges in their own Code of Conduct; attempted to browbeat us into agreeing to unnecessary and expensive 'refurbishments'.."  
C. Dawes, (Letter in the Islington Tribune, 17.06.05)**

## PFI SCHEME TURNED DOWN

In 1999 the Chalcots estate in Camden was one of the first to be put in for a PFI scheme. Five years and £1.6 million pounds later, the Treasury declared that the scheme was too expensive and refused to support it. The cost had increased from an original estimate of £55m to £120m.

The Guardian reported: 'last week's decision by the Treasury confirms that [PFI] is no longer a genuine option.... The Chartered Institute of Housing's policy analyst, John Perry said: "I've always been sceptical of the value of PFI for refurbishment...Most councils simply don't have the capacity to deal with such complexity and delays to deliver improvements".'

**Society Guardian, 03/03/05**

87% of tenants complained about damage by workmen, while four out of six were dissatisfied with poor security during the work. The company who carried out the survey, Consul, concluded "All stated to us that if they had realised what they would have to go through during the course of work inside their homes, they would never have allowed the contractor to commence work." (Islington Tribune, 25/03/05)

In May 2005 the Tribune reported that "The second part of a much vaunted £350-million initiative to refurbish thousands of homes in the borough is being delayed amid complaints about poor quality of work." They quote a resident of Islington, Mike Read: "The postponement of PFI 2 exposes not only the incompetence of the contractor, but also the blinding commercial naivete of the people running the scheme." (Islington Tribune, 13/05/05)

This sort of behaviour is no surprise when a private company gets its hands on a large-scale project for 30 years, and makes a mockery of the idea that councils will be able to monitor PFI contractors.

## Refurbishment PFI "must stop"

"The private finance initiative should be abandoned for social housing refurbishment schemes, a PFI expert has warned. Jeff Zitron, a director of Tribal HCH, said the government should stop funding PFI schemes to refurbish social housing because the risks attached were too costly. ... His comments came after a North East Derbyshire Council's pathfinder PFI refurbishment scheme became the second to be shelved because it was too expensive."

**Inside Housing, 20/06/05**

**Privatisation of the railways led to profits being put before peoples' safety. Do we want the same companies managing our homes for the next 30 years?**

**"It is staggering ... that this PFI award-winning contract, which took 4 years to negotiate, can have no standards of workmanship, no day-by-day procedure for checking the work..."**

Chris Graham, Spokesman, London Leaseholders Network; letter in the Islington Tribune, 27/05/05

"PFI was supposed to have been all about transferring risk from the public to the private sector... In the case of this PFI, however, instead of the risk of losing hard cash... the partnership appears to have secured a remarkable commercial deal.

Buried in the wine-box size contract between Partners and Islington Council (obtained in the annual audit of the council's accounts) is the following one-liner: "Project Internal Rate of Return – 19.2 per cent"...more than three times the average rate of return of a company in the construction services sector.

Partners is demanding a 56 per cent management charge for work carried out. So, for every £100 spent, just £44 will go into the actual labour and materials."

**Michael Read, member of Islington Leaseholders Forum (Letter in the Islington Tribune, 15.4.05)**

## PFI trailblazer dropped by council

"A consortium behind several high-profile housing PFI deals has been dropped as the preferred partner for a £200 million project after the council lost confidence in its members' ability to work together.

The rejection of the Partners' consortium bid for the Ashford Council contract to improve the Stanhope estate follows two years of intense negotiation.

It comes amid concerns over the consortium's performance on one of the government's pathfinder PFI projects, which was signed in 2003.

Documents obtained under the Freedom of Information Act have revealed that the standard of work on the refurbishment programme for Islington Council was 'disappointing'.

A surveyor's report ordered by arm's length management organisation Homes for Islington uncovered extensive evidence of poor workmanship and design

## Building work stops on hospital as PFI Contractor Jarvis Goes Bust...

**...and leaves a trail of abandoned projects in its wake.**

"Contractors have lost patience with cash-strapped Jarvis and started a series of high court actions against the private finance initiative group as it tries to tie up a last-ditch rescue package. ... the company admitted yesterday that work is still at a standstill on 14 significant projects including one to modernise London's Whittington Hospital. Some contracts under the government's PFI scheme have been halted for 11 months ... Jarvis's financial troubles have knocked the reputation of the PFI scheme ..."

**The Guardian, January 24, 2005**

**...can you imagine what it would be like if that happened during work on our estate?**

## GOVERNMENT ADMITS PROBLEMS WITH PFI HOME REPAIRS

"For the first time the government has admitted today there are problems using the private finance initiative (PFI) for council housing repairs even though it forms a key part of Labour's manifesto pledge.

Neil McDonald, the director of housing at the Office of the Deputy Prime Minister, conceded that a pilot project to test the PFI on council housing had highlighted difficulties with the process....

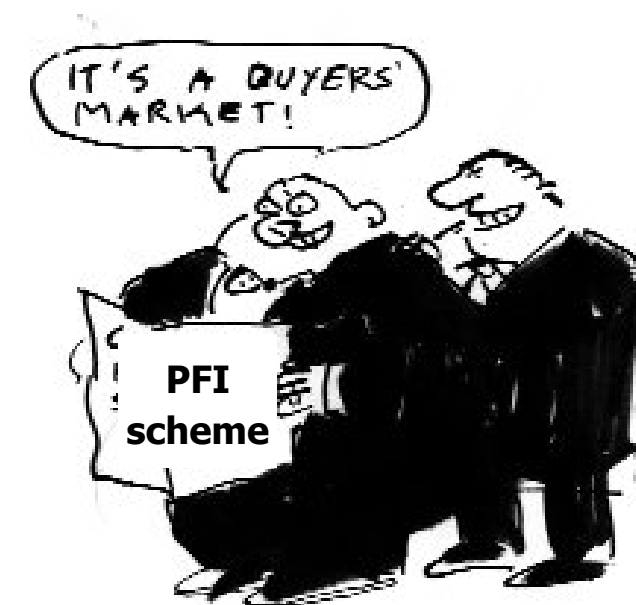
In 1998 the government selected eight "pathfinder" projects to test whether the initiative could be used to repair council housing. Most of the schemes have been dogged by long delays. Contracts have only been signed on three of the schemes, one has been abandoned altogether, and another is still in negotiation with the government after a proposal was

rejected by the Treasury earlier this year. Despite this chequered history the PFI is still listed by the government as one of three options available to councils... In reality very few councils have been willing to try this option....

Mr McDonald said the government had always expected problems with the pathfinder projects....

Speaking at the same session was Jeffrey Adams, the chief executive of the United House Group, which has been involved in four of the eight pathfinder schemes. He said his firm had not anticipated how much work and investment the scheme would require. A failed scheme in Ashford had left United House with "bad press and a big bill". "

**Society Guardian, 22nd June 2005**



**"Always remember the banker is the big boy when you're round the table"**

United House's Jeffrey Adams on the realities of negotiation, Inside Housing 23 June 2005

## UNRELIABLE - NOT WORTH THE RISK

Opposition to PFI is sensible. Look what happened to the Whittington hospital PFI when Jarvis went bust - sub-contractors walked off site and work ground to a halt for months. What would that be like mid way through a PFI scheme on our estate?

In the Islington PFI, United House has caused so many problems that residents have said they would have preferred not to have the work done at all; and Ashford council has dropped its plans to use United House as a result. PFI schemes in both Camden and North East Derbyshire have been turned down by the government - after years of negotiation and millions of pounds spent!

PFI is not a reliable solution to getting the work done that tenants need.