

Source: Defend Council Housing (original site unavailable).

The Case Against PFI for Council Housing

Seven reasons to reject PFI

1. PFI is expensive: High rates of interest to banks and profits for the private company means less to spend on repairs and improvements.
2. PFI is risky: The PFI scheme will last for thirty years. If it goes pearshaped then tenants will pay the price.
3. PFI takes years to set up: the schemes are long-winded, complicated and often delayed until the companies get the deal they want.
4. Public housing not private profit: PFI means a private company "generating income" from your estate.
5. PFI - escalating costs: Massive amounts will be spent on lawyers, consultants, monitoring the contract and higher senior managers pay.
6. PFI - worse services: PFI schemes are notorious for poor standards and it's difficult for the council to police the contract.
7. Winning direct investment without strings is worth fighting for. We've already won concessions. We can win much more!

THE CASE AGAINST PFI

PFI (the Private Finance Initiative) is new in housing, but has an appalling record in schools and hospitals. Housing PFI schemes are expensive, poor value for money, and risky. They will lead to worse services and escalating costs, with profit-driven companies managing our homes. Tenants on the Maiden Lane estate in Camden voted by over 80% to say NO to PFI in a recent ballot. (February 2004).

PFI is expensive

The National Audit Office says claims that PFI is value for money are based on 'errors, irrelevant or unrealistic analysis and pseudo-scientific mumbo-jumbo.' High rates of interest to banks and profits for the private company means less to spend on repairs and improvements. Not only that, but councils setting up a PFI scheme will have to commit themselves to meeting the high cost of running the scheme for the next thirty years often a problem in terms of "affordability". They may try to tell you that the government covers the cost of the PFI scheme but this is not true, the "PFI credits" only cover part of the cost. This means that all the council tenants in the area will be subsidising the extra costs of a private company running one estate. In addition, leaseholder contributions to the improvements are capped at £10,000 per property - which means that tenants could be subsidising leaseholders living within the PFI scheme to the tune of as much as £80,000 each.

PFI is risky

The PFI scheme will last for thirty years. If it goes pear-shaped then tenants will pay the price. Ministers argue that PFI schemes remove an element of financial risk from public bodies. This is false - in cases where the finances have not stacked up, the PFI consortiums demand more government subsidy - and the government has obliged! Certainly the major PFI players don't see the 'risk' being transferred to them. Mowlem (eight PFI contracts with total value £826 million) says PFI offers them 'longer-term revenues than traditional procurement methods and carries significantly lower risks'.

PFI takes years to setup

They are long-winded, complicated and often delayed until the companies get the deal they want. The Chalcots PFI, one of the first "pathfinder" schemes, is still on-hold after five years, with more delays as the private consortium keeps asking for more money. There is also a major issue with cost escalation before contracts are finally signed. One of the first 'Pathfinder' housing PFI schemes - on the Chalcots estate - soared to more than double the original £21 million estimate during the bidding process. Now there is only one contractor left in the running, and surprise, surprise, they want even more money. Setting up the Chalcots PFI began in 1999 and they are still bogged down in contract negotiations. Five years and several millions of pounds later, and no improvements have been carried out at all.

Public housing not private profit

Private finance is an expensive form of borrowing - costing much more than direct government borrowing. PFI developers expect a 15% profit on their investment. PFI means a private company "generating income" from your estate. PFI deals often involve 'gifts' of public land as an incentive, with council homes on the sites demolished. In Leeds, the Little London Scheme involves the loss of 200 homes, to be refurbished and offered at yuppie rents.

PFI - escalating costs

Massive amounts will be spent on lawyers, consultants, monitoring the contract and higher senior managers pay. Because PFI schemes are so complicated to set up they provide a gravy train for all sorts of different advisers and consultants to get their sticky fingers on. Costs escalate between the bid and the final contract: reportedly by over 60 per cent in Sandwell.

PFI - worse services

PFI schemes are notorious for poor standards and it's difficult for the council to police the contract. If your council has any services contracted out on even a five-year basis, you'll know how difficult it is for the council to get the performance the contractors promise. The idea that tenants will be involved in monitoring a thirty-year contract with a private developer is nonsense. What with an 'output' based

monitoring system and the fact that only 10% of any payments can be withheld when targets are missed, tenants have little chance of influencing the quality of the services they receive.

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 background briefing notes

Housing PFI is becoming increasingly unpopular with tenants and its record is disastrous.

In February 2005 the Treasury turned down a PFI bid after 6 years and £1.6 million worth of negotiations (Society Guardian, 24/02/05).

Even PFI enthusiasts began to criticise the idea, one saying "PFI for refurbishment ought to be put out of its misery as quickly as possible." (Inside Housing 25/02/05; see also Society Guardian 03/03/05).

In June 2005 Ashford council dropped its plans to use consortium United House in a PFI scheme after the problems in Islington were discovered (Inside Housing, 09/06/05) and this prompted calls that housing refurbishment PFI "must stop" (Inside Housing, 20/06/05).

...even the government now admits that PFI to improve housing is not a good solution. (Society Guardian, 22/06/05).