Housing Regeneration and the Private Finance Initiative in England: Unstitching the Neoliberal Urban Straitjacket

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Abstract: This paper responds to recent debates in human geography about ideal-type versus contingent neoliberalism, or what Gibson-Graham conceptualises as "strong" vs "weak" theory, by offering some reflections from an in-depth study of the private finance initiative (PFI) in England. It first introduces the history and purpose of the PFI as the Labour government's flagship public–private partnership (PPP) approach to public infrastructure modernisation. It then critically analyses its use in inner-city regeneration through a case study of a PFI housing scheme in the northern English city of Leeds. The paper argues that, when seen through the lens of "strong theory", a PFI appears to be a consciously designed "neoliberal straitjacket" intended to lock-in gentrification-based regeneration at the neighbourhood level, guarantee long-term profits to (finance) capital, and create powerful privatising and marketising pressures across the local public sphere. However, it is equally possible to construct a preliminary "weak theory" of the PFI that unhides its inherent contradictions and shows how everyday activism by local community actors can successfully influence and contest how neoliberalism is rolled out on the ground.

Keywords: housing privatisation, private finance initiative, regeneration, resistance

Introduction: Neoliberal Strong Theory in Question?

Prior to the global financial crisis that erupted in 2008, neoliberalism was undoubtedly the driving ideational force behind capitalist globalisation. This is reflected in more than two decades of academic scholarship unpacking its nature and dynamics (see Brenner, Peck and Theodore 2010; Saad-Filho and Johnston 2005). Following Ward and England (2007), this broad body of "neoliberal studies" comprises four different but overlapping definitions of neoliberalism. The first is an *ideological hegemonic project*, selectively rooted in the free market and non-interventionist state philosophy of classical liberalism, and internationally propagated by think tanks and intellectuals like Hayek and Friedman in their assault on "egalitarian liberalism" (Peck and Tickell 2007). Put simply, this project seeks the exit of government

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from the economy and the capital–labour relation to enable markets and market-like mechanisms to operate without restriction across society.

Neoliberalism's second definition—as a specific *policy and program*—has been usefully conceptualised as a process of "creative destruction" that aims to replace the national institutional arrangements and political compromises of Keynesian-Fordism with a "new infrastructure for market-oriented economic growth" set within a globalising and financialising economy (Brenner and Theodore 2002:362). This has often comprised distinct if overlapping phases of "roll-back" and "roll-out" neoliberalism (Peck and Tickell 2002). The former focuses on rolling-back state intervention and working class gains (regulations, subsidies, protections, ownership, services) through privatisation, market liberalisation and austerity. The rolling-out phase is associated with a third definition of neoliberalism, namely as a *new state form* encompassing "new modes of regulation, new regimes of governance, with the aim of consolidating and managing both marketisation and its consequences" (Peck and Tickell 2007:33).

At the urban scale, these specific "politico-institutional mechanisms" (Brenner and Theodore 2002:20) have seen the reorganisation of local government through marketised governance approaches like public–private partnerships (PPPs), and gentrification-led restructuring of city centres and inner city housing markets through gated mega-development projects and widespread clearance of public housing and other low-rent accommodation to displace traditional working class neighbourhoods in favour of the returning middle classes (Smith 2002). The literature's fourth definition of neoliberalism is as a form of *governmentality*, which follows Foucauldian ideas in emphasising how neoliberal governmental power operates in multiple sites and scales from the state down to the personal level "not through imposition or repression but rather through cultivating the conditions in which non-sovereign subjects are constituted" as entrepreneurial, self-reliant, rational-economic actors (Hart 2004:92).

Academic portrayals of neoliberalism are, however, increasingly problematised within human geography by "the debate about the dissonance (or lack thereof) between ideal-type and contingent neoliberalism" (Hackworth and Moriah 2006:511). Feminist and poststructuralist scholars critique the dominant representation of an inevitable, all-encompassing and "monolithic project" that largely ignores "the *different* variants... the *hybrid nature* of contemporary policies and programmes, or the *multiple and contradictory* aspects of neoliberal spaces, techniques, and subjects" (Larner 2003:509). To Gibson-Graham (2008:619), such "strong theories of neoliberal globalization" whose unfolding logics and structures of contemporary capitalism ignore their contingent and contested nature hide existing non-capitalist economies and shut off the possibilities of resistance and

alternative futures. Drawing on the work of the late Eve Sedgwick (2003), they argue for a less certain and thus more empowering "weak theory" to "help us to see openings, to provide a space of freedom and possibility" (Gibson-Graham 2008:619). In a rejoinder to this position, Hackworth and Moriah (2006:514) argue that it "tends to obfuscate the very coordinated and effective nature of the project being waged by neoliberals on relatively egalitarian state-based institutions". While there are undoubted theoretical problems of ideal-type neoliberalism, this should not discount "the importance and power of the very top-down imposition of neoliberalism in individual places" (2006: 514).

This paper cuts to the heart of this debate by discussing the contingent and contradictory dynamics of ideal-type neoliberal urbanism when rolled out in British inner city regeneration through a study of the Labour government's flagship public–private partnership (PPP) approach to public infrastructure modernisation—the private finance initiative (PFI). Such a focus is long overdue because despite the general academic attention to the use of PPPs in neoliberal urban restructuring (Barnekov, Boyle and Rich 1989) and public services (Whitfield 2001), the *spatial* and *social class* implications of the PFI have been ignored (but see Kerr 1998). Put simply, the PFI combines the short-term construction and financing of new public buildings like schools and hospitals with their long-term management and maintenance in 20–30 year service contracts awarded to private sector consortia, typically composed of developers and multinational banks. This radical departure from traditional public service delivery has consequently provoked much political disquiet, fuelled by an overwhelmingly critical academic literature on the PFI's implications for public finances, quality of services, and erosion of democracy (Flinders 2005).

With reference to findings from an in-depth case study of a proposed PFI-led inner city regeneration scheme in the northern English city of Leeds, the paper argues that through the lens of strong theory, the PFI fits the role of an ideal-type neoliberal straitjacket that stitches together three core objectives in relation to housing regeneration: first, to guarantee long-term profits to a coalition of private developers, service providers and banks at the expense of the public purse and local democratic accountability; second, to unleash a process of "state-led gentrification" as part of a wider urban entrepreneurial strategy; and third, to create powerful privatising and marketising pressures across the local public sphere. Nevertheless, the evidence also suggests that the PFI's power to neoliberalise space and place is inherently precarious due to its highly complex private financing model. This allows us to construct a preliminary "weak theory" of the PFI that opens up counter-empowering possibilities by highlighting both its structural contradictions and the opportunities they create for activism.

The UK's PFI: an *Ideal* Neoliberal Straitjacket?

During the Keynesian-Fordist era of the twentieth century *public* bodies generally designed, financed, directly carried out or supervised construction, and managed Britain's expanding public service infrastructure. Among the many roll-back neoliberal policies of the 1980s Conservative governments was compulsory competitive tendering (CCT), which obliged local authorities to offload certain services and capital projects to private sector firms offering the lowest bid (Painter 1994). The neoliberal revolution went a step further with the introduction in 1992 of the PFI as a new "partnership" approach to public sector infrastructure investment and service delivery. New Labour's 1997 election saw CCT replaced by the "best value" regime that in theory offered local authorities the chance to keep service delivery in-house. Despite its hitherto woeful performance and intense opposition from Labour's trade union and grassroots members, however, the PFI was enthusiastically embraced as the cornerstone of Labour's so-called "modernisation" agenda. Since then, the PFI has assumed huge importance—amounting to around 10% of annual government spending, with nearly 700 PFI schemes currently operating across the public sector, building and running new hospitals, schools, roads, prisons, defence systems and social housing (HM Treasury 2009).

Ideologically rooted in new public management theory (Hood 1995), the PFI is ideal-type neoliberalism in action, designed to recompose the state from "a direct provider of services to the public" towards "a procurer of services and a regulator" and thus "subordinate state activities to the logic of the market, but in a way that would also stimulate the accumulation of capital" (Kerr 1998:2277, 2282). It does this by packaging the design, construction, management, and crucially, the *financing* of new public assets into long-term *service* contracts (normally 30 years) with private sector consortia, each typically comprising a bank alongside several firms specialising in construction and facilities management, who privately finance the schemes up front, manage and maintain the asset at specified payment-related service levels over the contract period before handing it back to the public sector at the end.

Proponents argue that the PFI means improved quality and cost-effectiveness of public services because it brings the "discipline of the market place" into the public sector (HM Treasury 2000:16; also Leahy 2005). Superior value for money (VFM) comes mainly from risk transfer to the private sector; having "private finance at risk" incentivises funders to "identify, allocate and ensure the effective management of all the risks the private sector assumes in a project" (Corner 2006:45). For instance, the risk of buildings not being constructed on time is reduced by payments only commencing once the service is operational, and fining contractors for every day lost. The risk of poor

service standards is reduced again by making payment conditional on satisfactory performance, in turn reducing the risks of future structural problems by encouraging "whole life costing" and synergies between design and maintenance to minimise the financial risks to the consortium over 30 years.

However, academic research has consistently found that far from being cheaper than traditional public procurement, the PFI imposes huge additional costs on to the taxpayer (Ball, Heafey and King 2001). This expense derives primarily from the lucrative profit margins, frequently cited at being above 20% of the total payment (Spoehr et al 2002), that are made by the commercial lenders and investors who charge high premiums for underwriting the upfront finance, the shareholders of construction and maintenance companies, and the myriad consultants who must advise both public and private sector parties to work through the sheer complexity of the PFI. Evidence suggests these higher costs create "affordability gaps" in PFI schemes that impel rationalisation to generate the missing finance, whether through productivity increases or the creation of a two-tier workforce (Ruane 2007), or cutting the level and frequency of services, or including public land in the deal. Affordability problems in the first 10 NHS hospital PFI schemes were variously met through raiding hospital budgets elsewhere, selling off hospital land and assets at below market value to PFI companies, and/or reducing hospital capacity so as to cut both capital and operating costs (Shaoul 2005:462).

In other words, PFI projects can appear cost-effective on an accountant's balance sheet and yet be unaffordable to the public sector. As Ball, Heafey and King (2001:102) argue, supposed efficiency gains are based on abstract assumptions of perfectly competitive markets that are impossible for the PFI sector where huge bidding costs price out small companies and bid failures encourage firms to exit the market, leading to oligopoly and increasing evidence of price-fixing cartels. The official VFM evaluation process is also seriously deficient. The Treasury only approves PFI schemes that represent better VFM than a traditional public sector comparator. Yet, the test is biased towards the PFI because it is undertaken at the drawing board stage of a project, thus ignoring the considerable procurement costs to both the public sector and the eventual failed bidders, and the rising costs throughout the procurement process (Coulson 2008:487). The absence of funding for the PSC inevitably leads to manipulation in how public service managers "interpret and present data" to ensure they can tap the PFI resources on offer (Spackman 2004:296). Pollock, Shaoul and Vickers' (2002) finding that the cost of transferred risk is usually just high enough to justify the PFI route suggests a more fundamental corruption at play: that public authorities create more ambitious, longer-term and thus expensive

projects than either required or desirable simply to generate and transfer enough risk to make the PFI appear cheaper (Froud 2003:577).

Nevertheless, despite the huge cost of risk transfer, the most important risk—that of a public service failing—remains with the public sector; should a consortium default on its contractual obligations the liabilities are assumed by the taxpayer. The lack of genuine risk transfer is highlighted by post-contract refinancing scandals where consortia agree more favourable lending terms with debt partners once construction risks have diminished, creating windfall profits that public bodies have struggled to share in (Monbiot 2006). Also unacknowledged are the new risks arising from long-term contracts that put PFI consortia in a powerful position to exploit greater financial concessions or avoid financial penalties because of the huge potential costs (political, social and economic) to government should the PFI-delivered services fail (Lonsdale 2005).

This "lock-in" effect has serious democratic implications, reducing the public sector's ability to deal with uncertainty and respond to dynamic environments (Flinders 2005) while eroding transparency and accountability of public services through the increased blanket use of "commercial confidentiality" to "justify not consulting the users of services" (Jackson 2004:27). The attachment of assets to service provision further restricts future public sector manoeuvrability, yet the various social, political, economic and environmental "costs" of losing such land and control of land are not included in the cost–benefit analysis of risk transfer. So, far from enabling the public sector to control the future, in reality the PFI means the future controls the public sector through the "voluntary surrender of the powers of the state" (Froud 2003:586). The PFI in this regard is likened to "a mutating virus that invades the body politic, changing its shape and altering the nature of the host (institutions, culture and personnel)" (Greenaway, Salter and Hart 2004:523).

Following the seminal work of Dexter Whitfield (2001:196) this mutating virus redefines a "public service" as something that can "remain publicly financed but privately delivered in privately managed buildings". The very ethos of public services as a collectivised response to market failure is replaced with the private sector's highly individualised and narrowly economic conceptualisation of business *risk*. This commodification of service provision results in social needs being subordinated to financial flows, meaning the public sector must be increasingly run on a corporate model to "ease transferability between public and private sectors" and reshape the former into a "residual role". By artificially separating public services into "core" (ie the actual service like classroom education) and "non-core" (ie the provision and maintenance of the physical education facilities required to teach) categories so as to open up the latter to private consortia, the PFI

effectively paves the way for "privatisation by stealth" in the future as companies inevitably push to run "core services" so as to maximise revenues from the non-core facilities they run and expand their business interests further into more publicly funded and underwritten profit streams. While assets built up through a PFI should normally revert to public ownership at the end of the contract, given the continuous shrinking and marketisation of the public sector combined with the growing financial burden of a PFI, Whitfield (2001:196) believes that in 30 years' time, the public sector will neither have the finances nor the capacity to resume control, meaning that either another PFI contract will be signed or the facilities "will be sold at residual value to the private sector".

Interpreted and presented in this "strong" way as much of the literature does, the PFI would appear as the ideal "neoliberal straitjacket", fastened tightly onto the public sector to restrict any movement other than the continuous process of marketisation, privatisation and transfers of resources to (finance) capital with little hope or indeed opportunity for resistance. We now deepen and spatialise the analysis with reference to its use in inner city regeneration schemes.

Regenerating Social Housing Estates under a PFI

On taking power in May 1997 New Labour inherited the devastating legacy of roll-back neoliberalism for British inner city life embodied in the "spatially concentrated pockets of unemployment and deprivation in industrial urban cores" (Colomb 2007:2). Central to inner city plight was the rolling back of local authority rented housing ("council housing"), which may have been of "variable quality" (Cole 2007) but by 1979 provided low-cost and socially regulated homes for around a third of the population. This key foundation of the Keynesian welfare state (Malpass 2005) was thus a prime target for the Conservatives' first and largest privatisation programme that by 1997 had disposed of some 2 million of the best quality council homes at discounted prices mainly to former tenants under the 1980 Right to Buy policy. Local authorities were gradually prevented from building new homes, the meagre sums available for new social rented housing channelled instead into the less regulated not-for-profit Registered Social Landlord (RSL) sector where tenants faced higher rents and less security. Investment and repair funds were also slashed, leaving the majority of remaining council estates crumbling under a repair backlog with similar problems affecting private working class housing in specific neighbourhoods.

Labour's determination to regenerate Britain's inner cities was symbolised by Tony Blair's decision to make his first major speech as Prime Minister at the Aylesbury estate in south London, reputed to be the largest public housing estate in Europe and a media by-word for

urban despair (which would later be earmarked for total demolition and rebuild under a PFI). Early area-based initiatives for the most deprived communities were followed in 2000 by Labour's Urban Renaissance agenda most notable for its "ambition of bringing the middle classes back to the city" (Davidson 2008:2387). Government policies would now actively encourage "social mixing" through "tenure diversification" (read: increasing the proportion of private housing and owner occupiers on council estates) to create sustainable (read: economically viable) communities to address the so-called "neighbourhood effects" of spatially concentrated poverty and unemployment, poor quality housing and services, and mono-tenure social rented housing (Cowans 2006).

New Labour's urbanism has thus reflected what Neil Smith (2002) calls the new generalised form of gentrification-led regeneration so central to neoliberal urbanism [as distinct from Ruth Glass's (1964) original thesis of the marginal process by which middle class groups moved into and displaced working class neighbourhoods]. Despite no evidence that tenure mixing "works" (Cheshire 2007), this positive gentrification approach has been controversially rolled out in England through the Housing Market Renewal Pathfinder scheme since 2002 (Allen 2008). Pathfinder targeted specific neighbourhoods in the North and Midlands suffering from so-called "low housing demand and abandonment" caused by "obsolete housing" that is usually a mix of private and social rented terraced housing with plans for mass demolition and redevelopment as mainly private housing [Office of the Deputy Prime Minister (ODPM) 2003a]. Little academic or political attention has been paid, however, to the second of New Labour's urban investment programmes for England[1]—Decent Homes—in which the PFI has played a key role.

The Decent Homes Programme: a Trojan Horse for Neoliberalisation?

Launched in 2000, the Decent Homes programme has set out statutory policies and investment paths to ensure that by 2010 all social tenants (whether local authority or RSL) in England would live in a "decent home" that met minimum housing standards. However, seeing Decent Homes as a shift away from neoliberal urbanism is problematic for several reasons. First, New Labour stuck faithfully to the Thatcherite privatisation agenda, retaining the Right to Buy while accelerating the "demunicipalisation" agenda through "stock transfer"—the sale of whole council housing estates to RSLs. Consequently, the rate of privatisation initially increased compared with the previous Conservative governments under John Major (Ginsburg 2005); in the first 10 years of Labour's rule, a further 860,000 council homes were sold off to social landlords and another 400,000 to former

tenants [Department of Communities and Local Government (DCLG) 2008a, 2008b].

Second, Decent Homes investment was conditional on reforms aimed at increasing the role of the private sector and market forces in the provision of council housing. New Labour wanted local authorities to become primarily arms-length strategic enablers and not comprehensive direct day-to-day providers of the remaining social housing stock wherever possible. Such reforms followed the realisation that trenchant long-term obstacles existed to the complete rolling back of public housing in Britain, not least the Defend Council Housing campaign that has organised successful tenant opposition to stock transfer in dozens of local authorities (Watt 2009). Consequently, local authorities unable to meet the 2010 target from their own resources were offered one or more of three marketisation options. The first was the established *stock transfer* approach in which local authorities' historic housing debts were written off by the government. The second option was for local authorities to set up their own ALMOs that take over the day-to-day management of services and investment. ALMOs are seen by Defend Council Housing as a "two-stage privatisation" strategy by government to create semi-autonomous businesses that can be fully privatised "at a stroke" (Whitfield 2003). Most relevant for the discussion here was the third option for meeting Decent Homes, namely a PFI-based project where housing improvements form part of a major regeneration scheme.

The PFI approach typically works as follows. Following a long bidding and procurement process expected to take no more than 3 years, the local authority awards a 20 or 30-year contract to a private sector consortium composed of two main aspects: a short-term capital investment programme to refurbish and/or reprovide council-owned homes, shops and community facilities, as well as improvements to the surrounding environment on a particular housing estate (new private housing is developed as part of separate contracts); and a portfolio of long-term services previously carried out by the local authority such as repairs, estate management and maintenance, and communal services like caretaking and cleaning. The consortium, usually composed of a building firm, an RSL to manage housing services, and a bank or building society to arrange the finance, forms a special purpose vehicle (ie a shell company) that raises the entire capital investment required commercially on global money markets.

The local authority can supposedly control the consortium's performance through the "payment mechanism", which allows for financial penalties if homes are "unavailable" (ie not finished or up to standard) or agreed performance targets are not met (Hodges and Grubnic 2005:65). The local authority pays the consortium from two main sources: an annual "capped" central government subsidy ("PFI

credits") that covers the "capital cost" of the PFI scheme; and the rents, service charges and capital receipts (from selling property or land) from the authority's housing revenue account that must fund the day-to-day operational costs of the contract.

Initially, government capital finance regulations only sanctioned its use for properties outside of local authority ownership. In December 1998 the government launched a pilot "Pathfinder" programme of specific council house *refurbishment* projects involving seven local authorities. The government has since launched five more rounds of PFI housing bids and in April 2003 permitted local authorities to include *new build* council housing (ODPM 2003b). To date 30 PFI regeneration schemes involving council housing[2] have been selected of which 13 were operational as of October 2010, unlocking approximately £1 billion of capital investment mainly in inner city housing estates located in Leeds, Greater Manchester and across Greater London (DCLG nd; HM Treasury 2009). In common with other public services, the use of a PFI approach in housing has been politically controversial. Many schemes have been opposed by anti-privatisation campaigns led by trade unions and tenant activists against what they see as the redistribution of resources from repairs and management to profits for private companies and banks leading to "worse services and escalating costs" (Defend Council Housing nd; UNISON 2002). Local authorities have successfully overcome this opposition mainly because government has not required a statutory ballot of tenants in contrast to stock transfer proposals. Moreover, the anti-privatisation argument has struggled against the reality that the local authority retains ownership of the housing and control of rent and service charge levels, meaning that tenants' and leaseholders' existing legal rights are safeguarded.

However, housing PFIs have faced major difficulties with long delays hitting PFI regeneration schemes, forcing tenants to live in disrepair for longer than necessary (see Hodkinson, forthcoming). The 13 PFI schemes to date started on average 3 years later than expected, with some schemes 5 years overdue, while the Little London scheme we focus on later won't reach contract close until summer 2011, 7 years late. The only academic study to date found the first seven council housing PFI schemes to be on average 88% above their initial estimated cost, with all requesting more government subsidy (Hodges and Grubnic 2005:66, 72). The fixed element of government subsidy means escalating costs place local authorities under pressure to "transfer resources from other parts of the housing budget to pay for [their] PFI obligations" (2005:63). Council housing-specific difficulties of pricing and transferring "risk" have emerged because of uncertainty over long-term demand for council housing unforeseen costs and required works. Housing PFI schemes are further slowed due to the difficulties in consulting tenants who hold the unique role as both users and occupiers of the asset and whose

homes are to be intrusively inspected, refurbished and even demolished (2005:69–70; PA Consulting 2003).

The broader spatial and social restructuring either intended or resulting from PFI schemes, and the implications for both inner city communities and the wider local public sphere, have received little attention. Yet the primary purpose of housing PFI schemes is to transform places in line with the government's mixed communities policy so as to increase "tenure diversification", meaning that council estates must be opened up to more home ownership and market forces through demolition of council housing to free up land for private residential development (ODPM 2005:11–12). The remainder of the paper now explores the contingent and contradictory dynamics of PFIs through a case study of regeneration. The purpose is to show to what extent ideal-type neoliberalism does become implemented on the ground, to what extent it is contingent and shaped by local factors and forces, and to what extent it is and can be resisted. Before going further, however, a reflexive note on the methodology is required.

Methodology

The findings stem from an ongoing action research project that began in 2005 as part of an initial 2-year study funded by the British Economic and Social Research Council (ESRC) into self-organised, anti-capitalist grassroots activism in the UK. Rather than pursuing a traditional detached academic study, the ESRC project was undertaken in the more collaborative and spontaneous vein of participatory action research that places people at the active centre of research agendas (Cameron and Gibson 2005:317), and was specifically influenced by traditions of "research militancy" found in Argentinian and Italian autonomist struggles (Colectivo Situaciones 2003; Conti 2001). The engagement began when a local community worker on the Little London council housing estate in Leeds requested support for a group of tenants fighting demolition proposals under a PFI scheme that had the potential to displace hundreds of people. Given the proximity of the neighbourhood to the university and the surrounding "studentification" (Smith and Holt 2007) that was a factor behind regeneration, I felt a degree of "academic responsibility" to act and defend what Chester Hartman ([1984] 2002) has called people's "right to stay put", especially given the enormous human damage wrought by displacement (Fullilove 2004). The research has thus followed a long lineage of scholar activism in geography and beyond that values politically engaged research (Fuller and Kitchen 2004).

My general role was to support the estate's official tenants association, the Little London Tenants and Residents Association (LLTRA), by *co-producing* processes and outputs relevant to formulating and

achieving these local activists' aims. Specific activities included: facilitating and minuting campaign strategy meetings using participatory appraisal techniques; helping tenants to run their own mobile consultation that challenged the one-sided nature of the local authority's information; co-writing press releases; monitoring and documenting official meetings and consultation processes, including audio and film recording; organising training and advice sessions; and more traditional academic research about the PFI approach and its use in housing and regeneration policy, including interviews with elected councillors, housing officers, and the two bodies separately employed as the Independent Tenants' Adviser (ITA). As the collaboration proceeded and trust built up, the LLTRA formally appointed me as their "community advisor" and asked me to write up the tenants' experience of the regeneration scheme and accompanying consultation process as the basis of an official complaint against Leeds City Council (LCC) to the local government ombudsman (LLTRA and Hodkinson 2007). The main source of the report was the LLTRA's excellent archives of minutes and detailed documents, cross-referenced with individual interviews, focus group-style discussions, conversations with local residents, film footage of public meetings, my own in-depth document analysis of government policy documents and local authority reports, some of which were obtained under the *Freedom of Information Act* (2000), and some leaked from inside the local authority.

PFI Comes Home: Regenerating Little London in the London of the North

Once a world industrial centre for textiles and engineering, in the past two decades the northern English city of Leeds has been reinvented as a leading financial services and retail economy (Stillwell and Unsworth 2008). In common with its rival Manchester, the city centre has undergone major regeneration with exclusive retail outlets modelled on London's Knightsbridge and previously abandoned industrial quarters revitalised by speculative office and residential developments, particularly along the waterfront (Dutton 2003). This "urban renaissance" has inevitably attracted heavy criticism from disadvantaged grassroots and academic commentators for prioritising investment and developer interests in city centre real estate while failing to tackle inner city deprivation and disinvestment, and a mounting affordable housing crisis (Haughton and While 1999; Hodkinson and Chatterton 2007). Prompted by New Labour's national regeneration agenda, since 1999 LCC has launched no fewer than eight separate major housing-based regeneration initiatives in areas containing the city's worst concentration of poverty, ill health and unemployment. The regeneration model follows the tenets of neoliberal urbanism, with

blame apportioned to the absence of market forces in the "sprawling, mono-tenure council estates" that breed a "mono-culture" of crime and welfare dependency, and solutions sought in a proactive area-based gentrification approach that seeks the demolition of public housing in favour of private residential development through various PPP formations (interviews with councillors and officers).

Arguably the most controversial of Leeds' inner city schemes has been the proposed regeneration of the Little London estate. Built by the local authority during the post-war era in place of slum housing, Little London is nestled on the north-east edge of the booming city centre next to the prime university quarter and contains a mix of high-rise flats, maisonettes and houses within a Radburn layout. A common narrative from interviews with longer-standing community members is of a once thriving neighbourhood and beacon of post-war improvement ("the place to be, where everyone wanted to live") that from the mid 1990s rapidly nosedived, becoming better known colloquially as "Little Beirut". Decades of minimal investment and repair had left over 80% of the housing below the government's Decency Standard, while the city's wider economic success was by-passing an estate placed within the 10% most deprived areas of England and Wales in the 2001 Index of Multiple Deprivation (LCC 2006a:18).

Against this background, in 2001 the then Labour-run Council[3] made public its intention to enter into a 30-year PFI contract with a private consortium to improve the estate's 1571 homes, shopping area and environment so that "residents have the quality of life they deserve" (LCC 2001:2). However, the wider regeneration blueprint also included the demolition of two tower blocks (the "Carltons") and three maisonette blocks containing approximately 140 council homes so as to release a potentially large and attractive development site nearest to the city centre where the majority of private housing would be built; the sale for refurbishment and subsequent middle market private sale of 200 high-rise flats in two of the three Lovell tower blocks that are physically detached from the main estate by the six lane A58 and are again nearest to the city centre; and the private development of other plots of open space on the estate (Figure 1). The Council's justification was the lack of predicted long-term demand for these "unpopular" council properties while the resulting "tenure diversification" would reduce the estate's social problems by creating and maintaining "demand for flats from a diverse customer group where *applicants needing support do not predominate*" (LCC 2001:11, emphasis added). Tenants would be given some financial compensation for losing their homes but would not be guaranteed rehousing in the community.

Although delighted that the estate would finally see investment after decades of waiting, LLTRA could not accept what it saw as the deliberate gentrification of Little London that traded in a portion of the existing

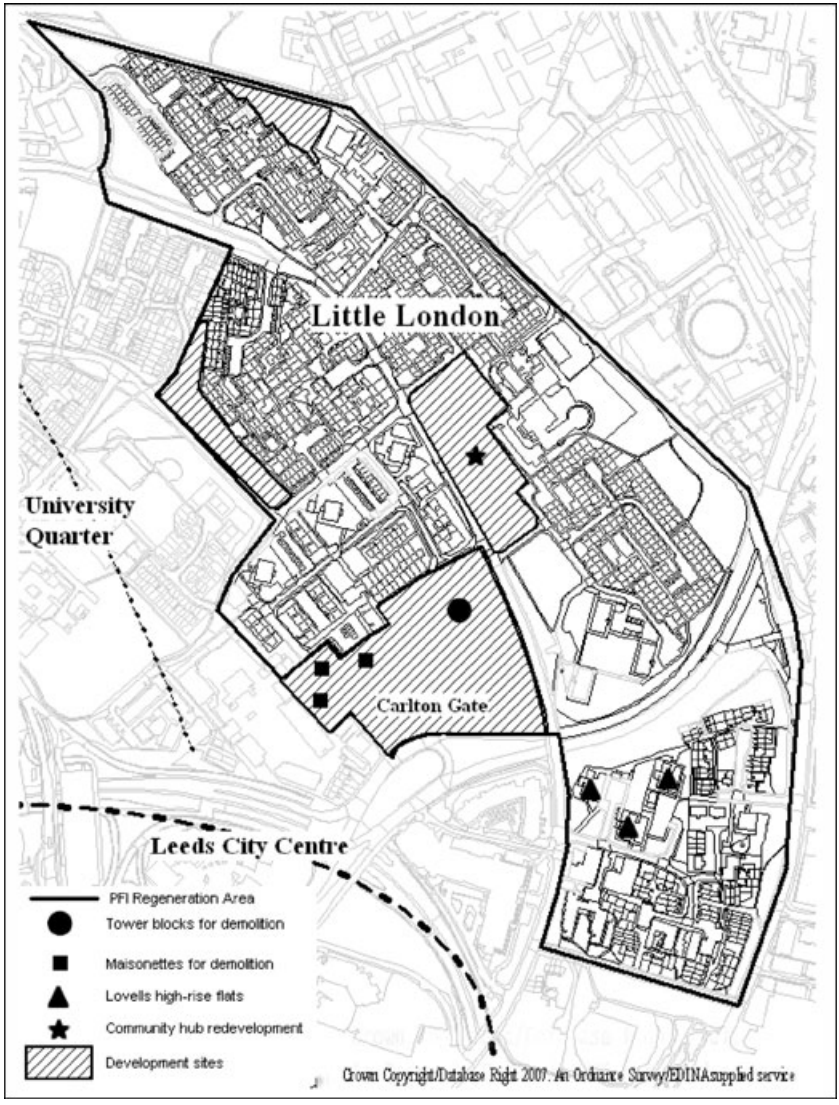

Figure 1: Little London PFI regeneration plan

community for a more affluent group of private owner occupiers and renters. It accused the Council of wilfully ignoring the connection between the decades of disinvestment—the main purpose for seeking the PFI—and the apparent low demand for homes in maisonettes and tower blocks that now justified their demolition and/or privatisation (interview with tenant). It also expressed concern that the PFI was "a form of backdoor privatisation that would raise rents and mean service cuts" (interview with tenant). The Council dismissed these fears, stating that the PFI was simply a "different way" of financing improvements that

would not harm tenants, but was forced by local pressure into promising tenants a binding ballot on the matter despite being under no statutory obligation to do so. Following a strong "No" campaign assisted by the main public sector trade union, UNISON, in March 2002 tenants voted to reject the PFI scheme by 54% to 46%, the strength of feeling reflected in the high turnout (67%) that dwarfed the Ward's 14.4% turnout in the local elections of 2000.

Despite its earlier promises, however, the Council refused to accept the result, claiming the ballot had been unfairly influenced by the "misleading" anti-PFI campaign and its "deliberate attempt to misinform tenants and to scaremonger" (LCC 2002:4). In reality, it was the Council that was guilty of dishonesty as even its own paid consultant overseeing the ballot saw nothing but "a sound electoral process . . . that clearly said the Council couldn't go ahead with the PFI scheme" (interview with ITA). Having constructed its get-out-of-jail card, the Council then held a second ballot just 2 months later on a revised scheme that contained fewer demolitions (which, 3 years later, would be reinstated) and crucially no longer covered some 300 homes on the estate's northern edge where a sizeable number of "no voters" had been identified (interviews with ITA and senior councillor). This gerrymandering, supported by thinly veiled threats that a second rejection of PFI would see the estate cut adrift from future funding, helped to produce a "yes" vote for the PFI with 56.7% in favour but on a much reduced turnout (46%).

The Little London PFI was then put on hold for 3 years due to government doubts over its affordability and manageability. When the Council was allowed to continue in 2005, government policy now permitted local authorities to include new council housing in PFI proposals as well as offering tenants a more modest non-PFI programme of Decent Homes investment under the new ALMO regime that Leeds had adopted in early 2003. The Council's preferred approach remained a PFI regeneration scheme based on its original blueprint. Fewer homes (912) would be refurbished mainly as a result of an increased number of Right to Buy sales on the estate, but importantly the Council wanted to build 125 new council houses to largely replace those being demolished and promised more "affordable" homes for sale. The quid pro quo was that all three of the Lovell tower blocks containing some 300 high-rise flats would now be sold for refurbishment as private apartments.

LLTRA reiterated its opposition to demolition and the Lovells sell-off and argued for the more modest ALMO-based Decent Homes option. This time, however, tenants were refused a ballot and instead only given the chance to state a "preference" between the two very different schemes on offer. LLTRA was no match for the months of pro-PFI propaganda financed from the local housing budget: two-thirds of tenants backed the PFI, although nearly 30% of those eligible did not

participate. In June 2007 the Council finally tendered the PFI scheme with an expected start date of January 2009, albeit on a reduced contract length from 30 to 20 years. The scheme has since been hit by more delays and further modifications. In March 2008 the controversial plans to sell off the Lovells' flats were abandoned and they were instead improved through ALMO funding. The Council claimed to "have listened to tenants" in making the decision, although one officer made it clear that there was no longer any market interest in speculative refurbishment. Then, in June 2008, outline planning permission was granted for an enormous 807 new private homes (mainly high-rise flats) on the estate, over 700 more than previously promised, only for all the proposed private development to be put on hold in March 2009 following the global financial crisis. The procurement continues—as of October 2010, the regeneration scheme should now begin in summer 2011, 7 years later than originally expected.

Unpacking PFI's Neoliberal Urban Straitjacket in Little London

A detailed analysis of the Little London scheme and its political history reveals much about the *urban* implications of the PFI's intended neoliberal straitjacket. Until the global financial crisis, the Council consistently pursued a particular spatial reconfiguration, outlined in Figure 1, that aimed at shifting the tenure mix away from social rented housing in favour of owner occupation and private renting. This has responded to what I call the first arm of the PFI's neoliberal urban straitjacket, namely the government's *proactive gentrification guidance* accompanying PFI schemes. Admittedly, the saving of the Lovell flats and the current mothballing of all private development means that the scale of intended displacement as a result of the desired gentrification is now relatively small. However, the long-term plan remains to open the door to more middle class owners and private renters in order to "maximise the market potential of the area" to both serve the city centre housing market and bring "the benefits of the city centre housing boom to Little London" (LCC 2001:11, 12). If successful, this will lead to more organic gentrification and displacement down the line.

Underpinning PFI-led gentrification is the second arm of the straitjacket, namely the complex and costly *financial model* of the PFI, which frequently requires local authorities to cross-subsidise their own financial contribution through land deals while reducing the risks to be transferred to the private sector so as to increase both commercial attractiveness and public sector affordability. This difficult balancing act is heightened by the fluctuating forecasts of predicted costs (eg general inflation, building costs inflation etc)—and thus economic risks to the PFI consortium—over the 20 or 30-year contract period. These

financial imperatives explain why the Little London scheme has been designed to release and sell off the most economically valuable land to help raise some of the extra resources needed to meet the additional costs of the PFI, while at the same time enabling the demolition of housing stock seen by the Council as comprising the greatest long-term risk in terms of physical "viability" (expected demand and maintenance costs) and social "manageability" (tenants with "challenging behaviour" and "mobile and transient households unconnected to the area") that in turn threaten future demand and "the area's attractiveness and stability" (LCC 2006a:21).

The final arm of the PFI's neoliberal urban straitjacket is how it simultaneously "locks in" private sector interests into the eventual scheme while "locking out" grassroots stakeholders, a perfect example of what Colin Crouch (2004) has called "post-democracy". Local authorities are required to periodically carry out market testing of the PFI scheme's evolving design, which is continued in the procurement process with bidders. In the Little London scheme, although the general blueprint has remained in place confidential council documents show how the scheme's constant exposure to the market has played a role in producing at least nine different refurbishment–demolition–disposal–development combinations for consideration since 2001. For example, in 2005, market testing revealed the original PFI scheme was "no longer sufficiently attractive to generate real competition and value for money bids" due to a changing PFI market and because "[p]erceptions of the area have changed for the worse" (LCC 2005a:3). The Council concluded that a more "radical approach is likely to be required to attract the private sector to invest in the heart of Little London (bolder proposals to create mixed tenure; larger development sites to create a 'critical mass')" (2005a:3, 4).

In contrast to capital's privileged seat at the table, residents' consultation rights are extremely limited. They can examine documents, ask questions, have proposals explained to them and make their views know at all stages of the pre-contract phase (ODPM 2002), and the local authority must produce evidence of having consulted to receive PFI credits. However, it is not legally obliged to ballot tenants in respect of a proposed PFI scheme in stark contrast to tenants' statutory right to a binding ballot over stock transfer proposals (ODPM 2005:16). Tenants' limited ability to reject or significantly alter housing PFI schemes provides a strong explanation of the deeply undemocratic behaviour of the Council towards Little London residents, the most spectacular example being the Council's decision to break a public promise and ignore the first "no" vote in March 2002. A senior Labour Councillor responsible for housing at the time conceded the episode was "a mess" but was adamant that the Council "couldn't have afforded to lose such a huge amount of money as we just wouldn't have been able to do anything

down there without it" (interview with councillor). The PFI's complex financial model has also encouraged a highly technical process driven by project managers and corporate consultants seeking to avoid any delays that might create "affordability gaps" and thus keep consultation to a minimum and stick rigidly to a tight timetable. When the LLTRA sought extensions to the consultation timetable, or more time to examine important documents, the Council repeatedly warned them that the government "would not keep Little London on the PFI Programme for ever (sic)" (LCC 2005b:2). The pressure to shut down discussion and push through the consultation process has been heightened by the local authority's refusal to share what it calls "commercially confidential" information.

Overall, therefore, we can understand the housing PFI as weaving together these three strong arms of neoliberal urbanism into a straitjacket that is tightly stitched on to local authorities. However, it would be mistaken to view the Little London scheme and the PFI more generally solely through such a strong theoretical lens. Firstly, the PFI has not been unilaterally imposed from above. While the Council's options have been limited, it has opportunistically seized on the PFI vehicle to spatially and socially restructure Little London as part of the city's wider, bottom-up neoliberal urban development strategy. An obvious factor, following Smith (1996), is the "revanchist" class attitude of middle-class politicians, officials and private sector actors as evidenced by their frequent contrasting of the estate's "desirable location" with its undesirable inhabitants and their negative effect on the neighbouring city centre urban landscape. Property consultants have called for a significant reduction in both the "proportion and absolute number of Council owned housing" so as to attract "the *right kind* of new owners and tenants" (Outside 2007:31, my emphasis). In one meeting with the LLTRA, a senior council officer told tenants that housing PFI had:

> the capacity to "design out" the sources of many of the estate's problems making it easier to manage . . . an improved environment in which the *most needy people formed a lower proportion of the neighbourhood's population* . . . would make it possible to move from the current "crime & grime" focus towards a more aspirational agenda (LCC 2005c:6, my emphasis).

Second, the Council has not rigidly followed the prescriptions of ideal-type neoliberal urbanism, mainly because of the growing contradictions being wrought by such policies. For instance, having been forced to shelve its PFI scheme between 2002 and 2005, the Council seized on the intervening policy change that allowed new council housing to be included in PFI schemes principally because of a mounting city-wide affordable housing crisis rooted in the inadequate supply of council housing that even threatened its statutory duty to

rehouse the area's displaced tenants. What this demonstrates above all is that neoliberalism is highly contingent and contradictory, and that circumstances can change the dynamics and details of policies previously described as "the only show in town". In the final section, I want to argue that far from an all-powerful neoliberal technology, the PFI is in fact a high-risk capitalist strategy with inherent weaknesses that can provide community actors with unexpected "cracks" to shape, influence and even block the eventual scheme, and thus open up alternative futures.

Bringing Weak Theory in: Unstitching the PFI Straitjacket

In the 2006 Progress in Human Geography Annual Lecture, Gibson-Graham (2008:618) made a call to arms against the continued dominance of "strong theory" within progressive scholarship, lamenting the disempowering consequences of analyses that seek all-encompassing and reductive explanations of the world that focus on and thus reinforce the dominant capitalist order. Instead, following the late Eve Sedgwick (2003), they argue for a more empowering ontological reframing based on "weak theory" that explores "the many mundane forms of power":

> What if we were to accept that the goal of theory is not to extend knowledge by confirming what we already know, that the world is a place of domination and oppression? What if we asked theory instead to help us see openings, to provide a space of freedom and possibility? (2003:691).

Responding to this call, I want to offer an alternative, less certain but potentially more empowering reading of the Little London experience to the structuralist account so far by constructing a weak theory of the PFI that unhides its structural precariousness and shows how the mundane activisms of everyday tenant resistance can exploit particular opportunities to win important concessions from regeneration schemes. The starting point of this weak theory is to turn the strength of PFI on its head, to see its neoliberalising power as its Achilles heel, just as Andrew Herod's work does in relation to the *opportunities* for local and global labour militancy inherent within the globalisation of Just-in-Time production (Herod 2001). As I argued earlier, this power ultimately lies in the commodification of public services and related risks, and their packaging into lucrative, state-guaranteed long-term contracts that only private sector consortia can bid for. Reaching contractual agreement requires the public and private sector parties to depend on economic forecasts that predict rates of inflation, interest, taxation, insurance premiums and so on, plus the opportunity costs of investing in other activities, over the 20 or 30-year contract period. Therefore, the point

in time at which the PFI contract is signed becomes critical—any unexpected delays can have imagined future consequences that can change the financial arithmetic of a PFI deal. This makes "time" the Achilles heel of PFI. From the moment government agrees to a certain level of PFI credits, the affordability clock starts ticking, making PFI extremely vulnerable as evidence from the Little London scheme demonstrates.

Back in autumn 2006, the Council's Outline Business Case suffered an unexpected 2-month delay in gaining government approval, pushing back the expected contract sign-off date from the third quarter of 2008 to the first quarter of 2009. A leaked confidential document revealed that a re-calculation of the PFI's affordability position had meant an increase in expected capital cost inflation over the 20-year contract from 15% to 17%, forcing the Council to increase its own contribution by some £192,000 a year (LCC 2006b). The document informed councillors that other possible scenarios could hike up the Council's long-term liabilities even further. For example, a 0.5% increase in the estimated "future" rates of general and building costs inflation combined with a further 6-month delay would increase the Council's contribution by an extra £7.28 million over 20 years. Significantly, the Council agreed to give a commitment to meet these affordability gaps through other resources or through reviewing the project scope, but equally stated that "the Council can not enter into an open-ended commitment to support the affordability of this project" (2006b:4). This clearly reveals that delays in the PFI timetable threaten its affordability and even viability. We have seen how a succession of delays in the Little London scheme since 2001 has dramatically changed the policy and economic context for regeneration, undermining the local authority's ability to push through its original vision.

This leads to a second aspect of the weak theory of the PFI, namely the role of human agency in creating delays and thus increasing bargaining power. From a strong theory perspective, the only possible conclusion to be drawn from the Little London story is that the local residents' decade of opposition *failed* to achieve anything because they lacked either legal or political power vis-à-vis the local authority. However, this ignores the decisive role played by the cumulative time effect of these very "failed" interventions in creating the delays that have gradually forced significant changes to the PFI scheme. For example, having forced the Council into holding a ballot during the initial consultation process in 2001–2002, the LLTRA then pressured the Council to extend the consultation period by a further 4 months after threatening to withhold endorsement of the PFI scheme. Although the "no" vote was ignored, the decision to re-ballot took up more valuable time that eventually contributed to the 3-year moratorium on the scheme, that opened up the opportunity for new council housing to be built. During the second consultation period

(2005–2007), the LLTRA's persistence forced back the consultation timetable by a further 6 months. Official minutes attest to how these tenant activists stuck doggedly to their task of attending every meeting with the Council to ask questions, repeat requests for particular information, and make constant demands for more decision-making power in the regeneration process, going to the media and complaining to Councillors and MPs when necessary. While the Council has always tried to resist tenants' demands, they have added to the workloads and pressures of local authority officers, further contributing to delays.

Weak theorising, therefore, suggests that tenants' everyday activism has played a major role in repeatedly forcing back the PFI timetable, providing some important general lessons on how affected communities can gain bargaining power within PFI schemes. The first lesson is the importance of politicising the implications of the PFI in the face of what local authorities try to misrepresent as a technical process, through winning the right to a ballot of the community. Although tenants are not legally entitled to a vote about the PFI, local authorities can be morally pressured into granting one, and a "no" vote can be enough as tenants on the Maiden Lane estate in Camden, London, proved in March 2004 when they successfully fought off a PFI scheme this way. Having a ballot also forces council officers and elected members to exercise more caution, relax consultation deadlines and thus create a series of delays in order to (be seen to at least) keep tenants on board and ensure that enough counter-campaign information has circulated so that the vote is not lost. A second lesson suggests that getting involved in official consultation structures (eg the steering group) is a means of slowing down the regeneration process by opening it up to tenant involvement. Even with a ballot, full blown campaigning against a PFI is difficult to both build and maintain due to its complexity and to the sheer longevity of any PFI process. This links to a third lesson—the useful role played by legal challenges in both delaying regeneration schemes and increasing risks to both public and private sector parties.

Conclusion

Through the strong theoretical lens of neoliberalism, the PFI is in many respects an ideal-type capitalist technology that tries to mystify an enormous transfer of public revenues and assets to finance capital under the ruse of so-called "risk transfer". At the national scale, the PFI has played a small but nevertheless significant role in the New Labour government's 2000–2010 Decent Homes programme, which, beneath the rhetoric of modernisation, has been designed to facilitate the long-term privatisation of council housing. The Little London regeneration

scheme also suggests, however, that the PFI's neoliberal straitjacket has three *intended* urban effects (or at the very least presents local actors with the following openings): the imposition of the government's *proactive gentrification* approach to regenerating inner city working class estates; the *geographical rationalisation* of public services and assets to free up land and other resources in order to feed the complex and costly *financial model*; and the further embedding of what Crouch (2004) calls "post-democracy" by simultaneously "locking in" private sector interests into the governance of the area, while "locking out" grassroots stakeholders such as tenants, community activists and housing workers. So far, so disempowering.

Yet we have also seen that the intended consequences of the PFI's neoliberal urban straitjacket confront other realities that shape and even threaten to derail them. Structurally, the PFI is a highly precarious technology because it rests on creating long-term contracts in which risk and uncertainty are massively increased, thus making the actual signing of schemes vulnerable to delays and any changes in future economic forecasting. This makes "time" the Achilles heel of the PFI, and, just as in the myth, this weakness can be exploited through the arrow of resistance. This is the empowering subplot of the Little London story. Although they have often disagreed on aims and tactics and operated in disconnected and even separated ways, residents' diverse and spontaneous "everyday resistances" have combined, over the years, to delay the PFI and to thus change the context in which it has been procured. This has gradually led to the reprovision of 125 council homes, the saving of some 300 council homes from privatisation and most recently the mothballing of all private development on the estate, when previously told there was no alternative to the Council's original blueprint. Little London thus provides an empowering example that tenant participation can recast political realities. And it is not alone. Nationally, the Defend Council Housing campaign has successfully fought off dozens of stock transfers, while internationally, momentum is gathering behind Lefebvre's slogan of The Right to the City as myriad local urban movements seek to connect up working class struggles "against gentrification and displacement to other local and international struggles for human rights, land, and democracy" (Right to the City Alliance, www.righttothecity.org; also Harvey 2008). Militant academic research can play its part by helping to guide these arrows of resistance into capitalism's many Achilles heels.

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Endnotes

[1] Northern Ireland aims to meet the UK government's Decency Standard by 2010, whereas Wales and Scotland have their own Quality Housing Standards to be met by 2012 and 2015 respectively. Until now, the *stock* transfer option has been favoured in Scotland and Wales, although the new Scottish Nationalist-led government is now proposing arms-length management organisations (ALMOs).

[2] For the sake of simplicity we only discuss here the use of a PFI for local authority-owned housing, but it is worth noting that there are a further 20 PFI schemes involving the refurbishment and/or new build of social rented housing with RSLs owning the stock and working in partnership with local authorities.

[3] In May 2004, the Labour Party lost control of Leeds City Council for the first time since 1980 and was replaced by a coalition administration composed of Conservative, Liberal Democrat and Green Councillors. This did not alter the Council's commitment to pursuing the regeneration scheme.

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