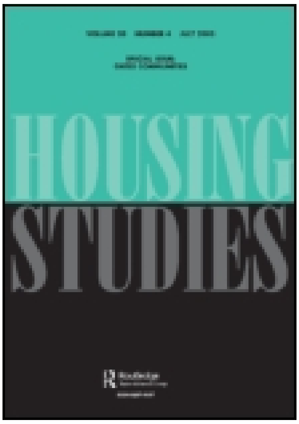

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The Private Finance Initiative in English Council Housing Regeneration: A Privatisation too Far?

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The Private Finance Initiative in English Council Housing Regeneration: A Privatisation too Far?

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ABSTRACT *Despite the enormous body of scholarship that has tracked the transformation of social housing from the 'public housing model' of the welfare state era to the 'social housing model' of today, large gaps remain in our understanding of this shift. This paper addresses on one such vacuum—the controversial use of the Private Finance Initiative (PFI) as part of the Labour Government's Decent Homes programme in England. Focusing on 'council housing' schemes, a critical overview is presented of the housing PFI experience so far. The main purpose is to understand the motives and drivers behind the use of PFI in housing at different scales, assess the progress of the national PFI programme and explore the significant issues, controversies and challenges encountered. The paper concludes that PFI has proved to be more complicated and expensive than its proponents predicted and should be discontinued in the social housing sector.*

KEY WORDS: Council housing, privatisation, Private Finance Initiative, urban regeneration

Introduction

The rise and fall of public housing in Britain has become a familiar story within Housing Studies. The long-term structural failure of the private housing market to provide decent, affordable and sufficient housing for the working class during the 19th century was the main backdrop to decades of both middle-class and working-class pressure for reform that gradually impelled the move by local authorities into directly building and managing housing for rent in the early 20th century (Malpass, 2005; Merrett, 1979). Although owner-occupation rapidly replaced private renting as the dominant housing tenure, cross-party consensus on the function if not desirability of 'council housing' as it became known, buttressed by waves of tenant mobilisation, meant that by the early 1970s, mass public housing had become a mainstream tenure of choice and 'non-market' alternative for a broad social spectrum of tenants (see Saunders, 1990, for a New Right critique), and a 'wobbly pillar' of the Keynesian welfare state (Malpass, 2008). If the residualisation

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(or narrowing of the social base) of council housing was already in motion during the 1970s, the arrival of Thatcherism turned the neoliberal tide against public housing into a privatisation tsunami whose flow, while more controlled and nuanced, followed the same broad course under the pro-market *New* Labour (Ginsburg, 2005). Overall, the past 30 years has seen what Malpass & Victory (2010) call the 'modernisation of social housing'; that is, the shift from 'the public housing model' of the welfare state era to the 'social housing model' of today's neoliberal age.

Tracking this unfolding process, what might be called the first wave of housing privatisation studies, has focused on the enduring impact of the Conservative's flagship Right to Buy policy. Introduced under the 1980 Housing Act, it turned the discretionary power of local authorities to sell their (discounted) homes into a statutory 'purchasing right' for sitting tenants, subsequently selling off approximately 2.7 million dwellings UK-wide (Forrest & Murie, 1988; Jones & Murie, 2006; King, 2010). A second, overlapping research wave has followed the Conservative and New Labour Governments shared agenda to demunicipalise social housing provision and residualise its role (Cole & Furbey, 1994). Approximately 1.5 million public sector homes in the UK have been 'stock transferred' to Registered Social Landlords (RSLs) (Pawson & Mullins, 2010; see also Daly *et al.*, 2005; Mullins, 1997; Watt, 2009), while the overall supply of social rented housing has been reduced by around 2 million homes (DCLG, 2009a). The most recent wave of scholarship has critically explored New Labour's 'modernisation'—or more accurately *marketisation*—agenda for the wider social housing sector that has introduced greater commercial disciplines, consumerist behaviour and market-type governance modelled on New Public Management (NPM) techniques (Flint, 2003; Marsh, 2004; Sprigings, 2002; Walker, 2001).

However, large gaps remain in our knowledge and understanding of this transformation. One such deficit concerns the actual experiences and impacts of New Labour's attempted modernisation of the local authority housing sector. In England, the empirical focus of this paper, this modernisation agenda is characterised by the launch of the Decent Homes programme in the 2000 Housing Green Paper (DETR, 2000).[1] The Decent Homes programme initially aimed to bring all 'social housing'—rented housing provided by local authorities and RSLs—up to a minimum 'decent' standard by 2010 to tackle the estimated £19 billion disrepair backlog inherited from the Conservatives. As at April 2001, 1.6 million social rented homes or 39 per cent of the sector in England were classed as 'non-decent', approximately 1.2 million of which were managed by local authorities and the remainder under RSL control (in 2002 government expanded the programme to vulnerable households in private sector accommodation) (NAO, 2010a). For those English local authorities that could not meet this legal obligation out of their own resources without incurring budget deficits came the promise of additional investment resources on condition that they pursued one or more of three demunicipalisation options (see Garnett & Perry, 2005, for a comprehensive overview):

- *stock transfer* to a housing association or newly created local housing company (both types of RSL) with government writing off any 'overhanging debt' linked to the stock to enable the RSL to borrow sufficient funds to invest in modernisation (see Pawson, 2006);
- *establish an 'Arms Length Management Organisation'* (ALMO), that is, a company owned solely by the local authority and staffed largely by the council's former housing officers to take over the day-to-day management of the council's

housing stock with the local authority retaining a strategic role, but dependent on meeting centrally-prescribed ‘performance targets’ to access additional government resources (in the form of financial support for local authority borrowing) to upgrade the housing stock;

- *use the Private Finance Initiative* (PFI) for specific estates, neighbourhoods or housing types which required an unusually large amount of capital investment to meet the Decency standard. A private sector consortium would raise the capital finance and carry out refurbishment / improvement works as part of a long-term contract (up to 30 years) that normally included providing repairs, maintenance and possibly management services.

Although precise details about the eventual funding streams that accompanied these three options remain elusive (see NAO, 2010a for a critical commentary), before the Coalition government’s public sector funding cuts took hold it was estimated that government would have provided some £9 billion of additional funding to English local authorities with over two-thirds allocated to ALMOs, a quarter to PFI schemes and approximately 5 per cent as gap funding for stock transfers (NAO, 2010a, p. 28). As a consequence of this funding matrix, as well as the continued reduction of council housing stock through the Right to Buy, formal provision and management of social housing has changed significantly since 2000 in England. Back then, there were some 3.2 million council houses directly managed by the local authority (Perry, 2000); now, there are less than 800 000 council homes under direct municipal control (DCLG, 2009a). Some 720 000 homes have been transferred to RSLs and, significantly, over 1 million council homes are currently managed by ALMOs in 66 local authority areas (NFA, 2010). With regard to PFI, 35 local authorities have been selected to progress 50 schemes comprising approximately 28 000 social rented homes (NAO, 2010b), although the picture is complicated because PFI schemes can simultaneously involve local authorities, ALMOs and RSLs and involve significant demolition.

While stock transfer has been extensively researched, there is remarkably little published academic research within Housing Studies on the transformations wrought by either ALMOs or PFI in the English social housing sector (but see Cole & Powell, 2010 on ALMOs). This paper focuses on the latter. Building on early research by public administration academics (Grubnic & Hodges, 2003; Hodges & Grubnic, 2005), this paper presents a critical overview of the housing PFI experience, focusing on its use in ‘council housing’ (funded through the Housing Revenue Account or HRA). The main purpose is to understand the motives and drivers behind PFI’s use at different scales, assess the progress of the national programme and explore the significant issues, controversies and challenges encountered. In doing so, the paper analyses key similarities and contrasts between PFI in housing and in other policy contexts. The analysis draws on a variety of data sources and methodological techniques, combining exhaustive document study, participant observation of key events in the PFI process, approximately 20 semi-structured interviews with government officials (central and local), former ministers and PFI advisors, and a focus group of tenant activists from four PFI areas (Leeds, North East Derbyshire, Reading and Manchester). The research is timely for three reasons: first, following a National Audit Office report that heavily criticised the use of PFI in social housing (NAO, 2010b), housing PFI schemes have come under intense value-for-money scrutiny by goverment; second, in November 2010, the new Coalition government scrapped 13 housing PFI projects as part of its austerity drive; and third, the ongoing public sector spending cuts and financial changes mean the future of council housing is once again in the balance, potentially opening the door to variant PFI models. The paper concludes that PFI has proved to be more complicated and expensive than its proponents predicted and should be discontinued in the social housing sector.

Delivering Decent Homes through the Private Finance Initiative

Launched in 1992 under John Major's Conservative Government, PFI was officially aimed at addressing the longstanding under-investment in state infrastructure at a time of fiscal constraint (Broadbent & Laughlin, 1999). Its main concept is to circumnavigate spending controls on certain projects by turning the public sector into a purchaser of long-term private sector *services*, typically contracted for between 30 and 60 years and ostensibly financed by the private sector. As long as sufficient asset risk is transferred to the private sector, the project is deemed 'off-balance-sheet'. In line with the principles of resource accounting, only the annual service payments appear in the public accounts, not the total investment in the years it takes place. This has the political advantage of officially lowering public borrowing even though actual public expenditure over time may increase (Kerr, 1998). PFI thus represents a radical break with the public procurement model that dominated the 20th century whereby public bodies planned, designed, financed, supervised construction and managed the country's infrastructure with the private sector acting as the main builder.

Behind this apparent pragmatism was a neoliberal agenda designed to open up the provision and management of public services to the private sector (Greenaway *et al.*, 2004, p. 512), and find 'new ways of governing that would reduce public expenditure and subordinate state activities to the logic of the market, but in a way that would also stimulate the accumulation of capital' (Kerr, 1998, p. 2282). Although PFI's complexity and unpopularity blocked progress under the Conservatives (see Clark & Root, 1999), New Labour's 1997 election saw it embraced as the cornerstone of Tony Blair's so-called 'modernisation' agenda for public services offering better 'value for money' (VfM) than traditional procurement because of the private sector's superior ability to manage risks and innovate (HM Treasury, 2000).

Since then, PFI, and Public-Private Partnerships (PPPs) more generally, have assumed huge importance, amounting to approximately 10 per cent of annual government spending, with nearly 700 PFI schemes currently operating across the public sector, building and running new hospitals, schools, roads and prisons (HM Treasury, 2010). In the process, it has courted huge controversy due to the clear disjuncture between official performance claims and reality on the ground. Early academic research consistently found that far from being cheaper than traditional public procurement, PFI imposed huge additional costs on taxpayers (Ball *et al.*, 2001; Heald, 2003; Pollock *et al.*, 2002), principally from the much higher costs of private finance (due to the higher risks involved than lending directly to public bodies), and the myriad of consultants who must advise both public and private sector parties to work through its complexity. Later evidence suggests that these higher costs in turn create 'affordability gaps' in PFI schemes that impel rationalisation to generate the missing finance, whether cutting the level and frequency of services or including public land in the deal, risks that are not included in cost-benefit analyses (Coulson, 2008; Pollock *et al.*, 2007; Shaoul, 2005). 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).

Arguably, the most high-profile example of PFI failure is the London Underground PPP scheme. Launched in 2003 against the opposition of then London Mayor Ken Livingstone, the Underground PPP saw the creation of a highly complex governance system in which the publicly owned and managed London Underground retained responsibility for safety and operations, but contracted out the maintenance and renewal of its deteriorating infrastructure (including rolling stock) over a period of 30 years to two PFI consortia, Metronet and Tube Lines. Not only did the time and cost of forming the contracts prove far higher than originally anticipated, but also the guarantee of risk transfer proved illusory when Metronet, which ran two-thirds of the Underground, was forced into administration (bankruptcy) from unexpected cost overruns. Metronet was subsequently bailed out by the UK Government, costing the taxpayer approximately £2 billion, and exposing 'how little financial risk had been transferred to the private sector by the PPP scheme' (Jupe, 2009, p. 24). This was because, in order for the PFI consortia to borrow private finance to carry out the capital works promised in the contract, the public sector had to agree to guarantee 95 per cent of the consortia's debt finance. Metronet was subsequently brought into public ownership while Tube Lines was bought out for £312 million in 2010, bringing the 30-year Underground PPP to an end after just seven years (see Jupe, 2009; Wolmar, 2002).

PFI in Council Housing: Policy Origins, Motives and Scope

In contrast to hospitals and schools, the use of PFI in social housing has remained small scale. Inheriting a handful of PFI social housing schemes outside of local authority ownership in partnership with RSLs (non-HRA PFI), in May 1997, the new Labour Government immediately legislated to permit councils to use PFI for their own existing properties (HRA PFI) but not to building 'new dwellings'. In December 1998 a pilot programme was launched to explore PFI's potential for council housing (PA Consulting, 2003, 2008) and in March 1999 eight 'Pathfinder' schemes were selected, representing a diverse range of 'difficult' projects to enable maximum insight into how and where PFI could work best (Interview: Civil Servant 1). Under Decent Homes, a further five bidding rounds were launched between 2001 and 2008 for both HRA and non-HRA projects, with two major policy changes introduced along the way: first, the permission to include *new build* council housing in HRA PFI schemes from April 2003; and second, a greater emphasis on regeneration and mixing tenure in line with Labour's sustainable communities agenda (Interview: Civil Servant 2). Prior to the 2010 housing budget cuts, there were 50 social housing PFI schemes (30 HRA and 20 non-HRA), of which 24 were operational at the time of writing and the remainder at various stages of planning or procurement. Projects range from the simple refurbishing of existing council housing to building new social rented housing, including extra-care and sheltered homes, to estate-wide regeneration encompassing new neighbourhood facilities and improved environments as well as attracting private investment in new homes for owner-occupation. In November 2010, 13 of the non-operational PFI schemes were axed by the goverment, including the entire Round 6, cutting just under £2 billion of capital funding from the original £4.4 billion programme. When finalised, these schemes will collectively attract some £4.4 billion of government capital investment in projects ranging from the simple refurbishing existing council housing to building new social rented housing, including extra-care and sheltered homes, to estate-wide regeneration encompassing new neighbourhood facilities and improved environments as well as attracting private investment in new homes for owner-occupation.

PFI's emergence as a niche option in social housing derives from the interplay between several motives and drivers. New Labour's determination not to be undermined, as previous Labour Governments had been, by a lack of confidence within financial markets (as well as the hostility of the right-wing press) was a major political force behind its honouring of the Conservatives' strict public spending commitments for the first two years of office (Coates & Hay, 2003). These self-imposed limits created the structural impetus for expanding and diversifying the role of private finance in social housing, which dovetailed neatly with Labour Ministers' wish to radically reform social housing governance away from traditional municipal landlordism, in favour of partnerships with the private sector in which local authorities took a strategic but not provider role (DETR, 2000). PFI 'was as much as anything seen as another option' alongside stock transfer and later ALMOs to prevent local authorities being given 'all the extra cash they need in order to go and do these things themselves' (Interview: Civil Servant 2).

PFI's attractiveness was enhanced by the persuasive voice of influential bodies such as Local Partnerships, originally the Public Private Partnerships Programme (4Ps) founded by the Local Government Association in 1996 to help promote and train local authorities in using PFI (4Ps, 1998). The Chartered Institute for Housing (CIH, 1998) also backed PFI following the government's refusal to countenance greater public sector borrowing freedoms under the Institute's Local Housing Corporation model. There was a consensus in the sector that PFI offered local housing managers a uniquely intensive, high capital investment and long-term approach for tackling so-called 'sink estates' beset by poor stock condition, social deprivation and anti-social behaviour (Interview: PFI Advisor 1).

PFI was therefore seen as preferable to stock transfer in many urban authorities where for political or strategic-managerial reasons many local authorities wanted to retain ownership and control over their housing; or where the negative capital value of inner-city estates made transfer financially unviable to local authorities if the sale price did not cover the council's existing housing debt (Pawson & Mullins, 2010); or where the growing momentum of Defend Council Housing's national anti-privatisation campaign threatened to block progress by mobilising no votes in ballots of tenants to gauge support for transfers as required by law (Daly *et al.*, 2005). PFI unblocked the financial obstacles through the combination of central subsidy and cost-spreading over 30 years, and reduced the potency of councillor and tenant opposition by enabling local authorities to remain owners and landlords of their housing, safeguarding tenants' and leaseholders' existing rights, and thus not requiring a statutory ballot of tenants (see Hodges & Grubnic, 2005).

The Housing PFI Model Explained

There are considerable differences between HRA and non-HRA PFI housing models. The remainder of this paper focuses on HRA or council housing PFI schemes. A typical HRA PFI scheme sees the local authority enter into a 30-year contract with a consortium of private firms (e.g. builder, facilities manager and bank) to carry out a major investment programme ('works') of possibly refurbishment, demolition, new council housing and community facilities, environmental improvements (and new private housing outside of the contract) alongside a portfolio of long-term management and maintenance services (see Figure 1). The consortium forms a Special Purpose Vehicle (SPV), essentially a shell company, bringing together their different interests 'backed by a complex system of sub-contracts and cross-guarantees' (Hodges & Grubnic, 2005, p. 64).

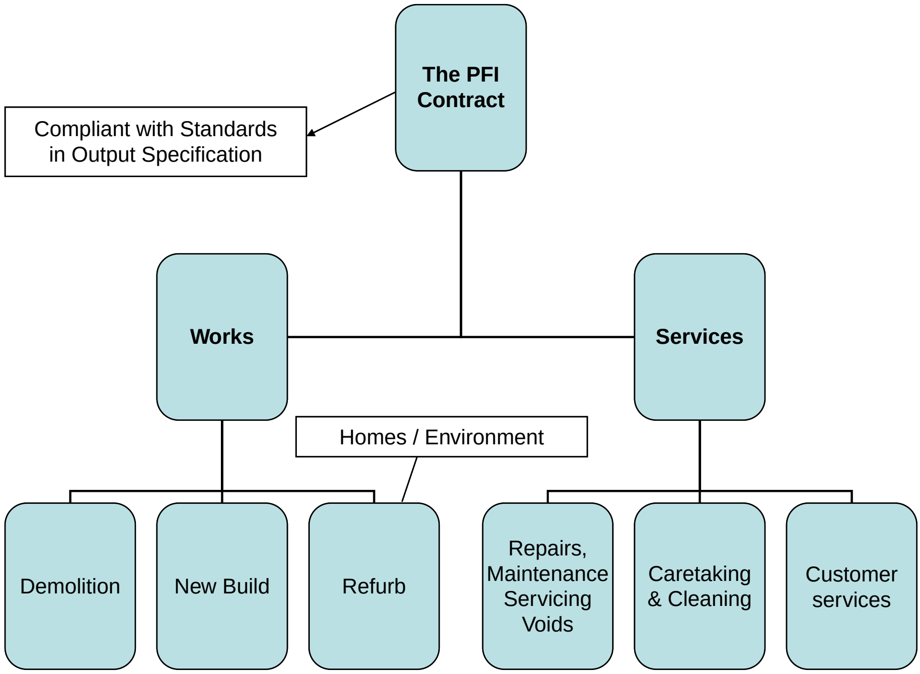

Figure 1. A typical council housing PFI scheme

Although the SPV provides the upfront financing for the initial works phase, usually through a combination of commercial borrowing and equity investment, the entire PFI project is funded by the public sector. The SPV is paid monthly via a Unitary Charge, the majority of which is met by central government through an annual fixed subsidy ('PFI Credits') to cover the scheme's estimated 'capital cost', with the local authority financing the day-to-day operational costs from its HRA Management and Maintenance Allowances (the Major Repairs Allowance is withdrawn for the properties covered by PFI Credits). Council rents in the regeneration area are still set in accordance with national guidelines and cannot be raised to pay for the scheme.

The PFI contract has two core components. The *Output Specification* prescribes exactly what the SPV must do as a series of desired outcomes or 'availability standards', e.g. all council homes must meet the Decent Homes Standard and other national statutory regulations ('certification standards') and service levels must meet desired 'performance standards'. Enforcing these contractual obligations is the role of the *Payment Mechanism*, a complex matrix of formulae designed to calibrate payment to performance with deductions levied for unavailability and poor performance, and continued failure triggering a 'ratchet mechanism' of higher and higher financial penalties until rectified. Although PFI contractors should normally only be paid once they meet the availability standard, housing is unique in making the SPV immediately responsible for the asset and service before any improvements can take place. This is because tenants continue to live in homes that are now the responsibility of the SPV. So that the contractor is therefore not penalised for inherited problems that they have not caused and have not had time to resolve, the Unitary Charge is split into two distinct periods: (1) the 'initial availability standard' which reflects the expected standards of stock and service for homes with inherited deficiencies; and (2) the 'full availability standard'. For new dwellings included in the PFI scheme, payment is only triggered when the new housing is available for occupation.

Before a contract can start, however, a long and complex development and procurement process must be followed. Local authorities first submit an outline proposal ('Expression of Interest') to a government bidding round that must meet certain policy criteria—Round 6 came with 30 pages of policy guidance for bidders. Successful applicants must then submit a much larger Outline Business Case (OBC) that is scrutinised by departmental officials and the HCA before being finally approved (or rejected) by the Treasury's Project Review Group. The contract is then tendered in the Official Journal of the European Union (OJEU Notice). Prior to February 2006, procurement was undertaken through the Negotiated Procedure in which a Preferred Bidder was selected at a relatively early stage to jointly-develop the project with the client. Now councils must use the Competitive Dialogue approach in which a far more detailed project is tendered and a reducing number of bidders compete against each other in dialogue with the local authority until a Preferred Bidder is chosen and they negotiate through to commercial close (contract signing). Whereas the government previously expected the whole process to take no more than three years, the current guidelines are three and four years, depending on the scheme's complexity, which reflects the difficult experience of housing PFI that the study now turns to (DCLG, 2008, 2009b; ODPM & 4Ps, 2004; ODPM, 2005).

Council Housing PFI in Action: a Review of Experiences so Far

Since its launch in 1998, the use of PFI in council housing has proven to be a deeply challenging experiment (see Table 1 for a summary of the 30 HRA PFI schemes). All HRA PFI schemes have taken far longer than expected to start and have cost far more than originally budgeted for (NAO, 2010b). Table 2 shows that the 13 HRA schemes operational at the time of writing took on average nearly 77 months to be developed and procured, an average delay of three years compared to official guidelines with some taking four and even five years longer than expected. This compares with the average 30-month cross-sectoral procurement time for PFI projects (DCLG, 2007), and although it is difficult to compare PFI with other housing investment options, it is worth noting that stock transfers have on average taken 31 months to complete and ALMOs 21 months to establish (NAO, 2010b, p. 7). The delays in housing PFI procurement have, in turn, engendered enormous capital cost increases to approved business plans, ranging from 55 per cent (Stanhope, Ashford) to 338 per cent (Swarcliffe, Leeds) (NAO, 2010b, p. 17) mainly because of high construction cost inflation between 2002 and 2007.

In their early research on the HRA Pathfinder programme, Ron Hodges and Suzana Grubnic found that a range of 'teething problems' was hampering the transferability of PFI to public housing. These included: problems of trust and information sharing between public and private sectors; limited guidance and support, including financial resources, from central government; the difficult role of tenants as stakeholders; the emphasis on refurbishment, not new-build, which increased the risk and complexity of asset management; and financial regulatory obstacles such as the government's unstable subsidy support system and the potential risks of the Right to Buy to business plans (Grubnic & Hodges, 2003; Hodges & Grubnic, 2005). Since then, the government has taken major steps to address and resolve these early challenges. During 2003, local authorities were

Table 1. A summary of the 30 council housing PFI schemes by Round

Scheme by round	Yrs	PFI Credits (£m)	Works and Consortium / Contractor *(Status if unsigned)*
		Pathfinder, March 1999	
Camden Chalcots Estate	15	65	Refurbishes existing stock *Partners for Improvement in Camden / United House*
Islington Street Properties 1	30	74.69	Refurbishes existing stock *Partners for Improvement in Islington / United House*
Leeds Swarcliffe	30	78.8	Refurbishes and demolishes existing stock *Yorkshire Transformations Ltd / Carillion*
Manchester Plymouth Grove	30	36.64	Refurbishes and remodels existing stock and estate *Grove Village / Gleeson*
Newham Canning Town	30	31.89	Refurbishes existing stock *London City East Partnerships Ltd / Regenter*
Reading North Whitley	30	49.6	Refurbishes existing stock *Affinity / Wates*
		Round 2, March 2001	
Islington Street Properties 2	16	165	Refurbishes existing stock *Partners for Improvement in Islington / United House*
Oldham Sheltered Housing	30	132	Refurbishes, demolishes & rebuilds stock *Oldham Retirement Housing Partnership / Housing 21*
Ashford Stanhope estate	30	40	Refurbishes, demolishes & remodels existing stock *Chrysalis / Gleeson*
Lewisham Brockley	20	115.91	Refurbishes existing stock *Regenter*
Newham Forest Gate	20	55	Refurbishes existing stock *Swan Housing Group*
Manchester Miles Platting	30	162	Refurbishes, demolishes & remodels stock / estate *Renaissance Miles Platting Ltd / Lovell*
Leeds Little London	20	94.85	Refurbishes, demolishes and rebuilds stock *(Procurement)*
		Round 3, May 2004	
Kirklees Excellent Homes for Life	30	101.5	Demolishes and reprovides council housing *Regenter (Wates) (Preferred bidder)*
Lambeth Myatts Field	30	114.6	Refurbishes, demolishes, remodels, reprovides stock *Regenter (Preferred Bidder)*
Manchester Collyhurst	30	250	Refurbishes, demolishes, remodels & rebuilds stock *(Cancelled)*
		Round 4, May 2005	
Oldham Gateways	25	131	Refurbishes, demolishes & reprovides stock *Inspiral (Regenter) (preferred bidder)*
Manchester Brunswick	30	118.1	Refurbishes, demolishes & remodels stock / estate *(On hold)*
		Round 5, December 2006	
Salford New Pendleton	30	121.02	Refurbishes, demolishes, remodels stock / estate *(Procurement)*

Table 1. *Continued*

Scheme by round	Yrs	PFI Credits (£m)	Works and Consortium / Contractor *(Status if unsigned)*
North Tyneside Older People	30	112.4	Demolishes and rebuilds sheltered housing stock *(Procurement)*
Leeds Beeston / Holbeck	20	95.3	Refurbishes, demolishes and rebuilds stock *(Procurement)*
			Round 6, *July 2009*
Nottingham Meadows estate	30	200	Refurbishes, demolishes, remodels & rebuilds stock *(Cancelled)*
Birmingham Erdington	30	100	Refurbishes, demolishes and remodels existing stock *(Cancelled)*
Hull Orchard Park	30	160	Demolishes and rebuilds stock *(Cancelled)*
Leeds Lifetime Homes	30	183	Demolishes and rebuilds extra care / sheltered homes *(Cancelled)*
Southwark Aylesbury	30	181	Demolishes and rebuilds stock, remodels estate *(Cancelled)*
Portsmouth Somerstown/ Northsouth Sea	30	122	Demolishes and rebuilds stock *(Cancelled)*
Stoke Suburban estates	30	177	Demolishes and rebuilds stock *(Cancelled)*
Northampton Northampton East	30	100	Refurbishes, demolishes and rebuilds stock *(Cancelled)*

Table 2. Comparison of pre-contract delays and cost inflation in 13 signed HRA PFI schemes

Local authority scheme	Credits (£m)	Date selected	Contract signed	Delay (months)	Cost increase
Camden, Chalcots Estate	65	Mar 1999	May 2006	50	117%
Islington, Street Properties I	75	Mar 1999	Mar 2003	12	275%
Leeds, Swarcliffe	79	Mar 1999	Mar 2005	36	338%
Manchester, Plymouth Grove	37	Mar 1999	Mar 2003	12	131%
Newham, Canning Town	32	Mar 1999	June 2006	38	100%
Reading, North Whitley	50	Mar 1999	Mar 2004	24	79%
Sandwell, Hawthorns Fields	71	Mar 1999	Mar 2006	48	97%
Islington, Street Properties II	165	Mar 2001	Sept 2006	30	200%
Oldham, Sheltered Housing	131	Mar 2001	Oct 2006	31	160%
Ashford, Stanhope estate	40	Mar 2001	Apr 2007	37	55%
Lewisham, Brockley	116	Mar 2001	June 2007	39	164%
Newham, Forest Gate	55	Mar 2001	Feb 2009	59	150%
Manchester, Miles Platting	162	Mar 2001	Mar 2007	36	195%
Average				35	158.5%

Sources: Homes and Communities Agency (HCA) website (www.homesandcommunities.co.uk); NAO (2010); figures are approximate and rounded up to the nearest decimal point.

permitted to build new council homes under PFI, and the government agreed to change the financing of government PFI Credits from variable to fixed rates of interest; in 2004, a standard housing PFI procurement pack containing legal and technical documentation was published in order to reduce the need for external consultants and cut procurement times, which is periodically updated (ODPM & 4Ps, 2004). More recently, in 2009, the Homes and Communities Agency created a centrally-funded 'Transactor' support scheme for public sector managers to draw on additional expertise to their own advisors from a panel of specialist firms.

Nevertheless, crisis and controversy has become a permanent feature of the HRA PFI programme, with four schemes abandoned and a further eight still in procurement when they should by now have reached operational contract stage. The discussion that follows builds on the initial research by Hodges and Grubnic, with new evidence organised under five broad themes.

(1) Complexity and Risk

As part of PFI schemes, private consortia agree to take on responsibility for certain 'risks'. The larger the risk, the higher the 'price' demanded by the private sector for assuming responsibility. In effect, PFI involves fixing an extremely complex and uncertain future in the present through a labyrinthine compensation matrix designed to address potential events occurring. Likening it to a giant circuit board rendered inoperable by a single fuse blow, one PFI advisor explained how 'the PFI machine is completely inflexible ... If anything goes wrong it's like, "oh god, how are we going to deal with that all the way through it?"' (Interview: PFI Advisor 2). Such rigidity within the procurement process can easily cause further delays and cost inflation.

A key finding of Hodges and Grubnic was that the sheer complexity of both PFI and council housing made their combination uniquely difficult with respect to other PFI schemes for allocating and transferring 'risk'. Despite government reforms detailed previously, this problem has not subsided, with local authorities and consortia consistently locked in protracted negotiations over financial liability should unknown latent defects occur when 'refurbishing thousands of ageing properties built by someone else in a different house building era' (Interview: PFI Advisor 2). Tenants have arguably posed the most potent risk due to their statutory rights and their potential behaviour. For example, a tenant exercising their Right to Buy removes a property from the PFI scheme, reducing the SPV's income stream and potentially affecting the local authority's ability to pay the Unitary Charge. Residents could challenge the PFI scheme or planning applications through their statutory consultation rights, or more spontaneously obstruct schemes by refusing entry or to be decanted while their home is repaired, all delaying the SPV's schedule. This was again unique to housing:

> ... if you build a PFI hospital you don't have to get into a lot of detail around the rights of patients because they don't have any. Whereas tenants, you know, I remember describing to a client once if you've got 150 units it's like 150 PFI projects because for every single one of those units you've got to go and do some work, you've got to get it signed off, you've got an issue with the person who lives there. (Interview: PFI Advisor 2)

PFI's financial complexity has also been a debilitating factor, with delay-cost spirals leading to 'affordability gaps' in local authorities' business plans. With PFI Credits fixed at OBC (Outline Business Care) stage, affordability gaps become the local authority's responsibility to meet. Within the context of the boom decade to 2007, a major factor was construction cost inflation. This was the case in November 2006 when Leeds City Council was forced to contribute a further £3.8 million (in cumulative terms) to its 20-year Little London scheme due to just a two-month delay in receiving OBC approval from the Treasury. This was because the delay pushed back the anticipated contract close from the third quarter of 2008 until the first quarter of 2009, meaning that a capital cost inflation index of 17 per cent, and not the original 15 per cent, had to be used, creating an affordability gap in the Council's finances (Leeds City Council, 2006). While initial shortfalls can be found from within the HRA or general council finances, competing budgetary demands make the most common approach to 'rescope' the output specification to reduce the overall costs, whether by reducing quality standards, shortening the contract duration, or removing key elements altogether as Table 3 shows.

These complexities have been spectacularly exposed by the global banking crisis, which 'had a crippling effect' on both affordability and the availability of private finance due a number of simultaneous and related factors. Prior to the bank crisis, there was competitive financing supply-side with a high level of liquidity at historically low interest rates and funders taking on schemes with development risk, poor stock condition and no residual value. The post-credit crunch environment has seen reduced liquidity and higher pricing of finance with much tighter lending criteria because of concerns about affordability risk in a sector marked by far few active banks lending (Weston, 2009). In turn, the collapse in the housing market has rendered any business plans depending on land sales and private development unviable (Interview: PFI Advisor 1). All unsigned PFI schemes have suffered major delays because of the need to be re-scoped and have their financial models de-coupled from planned private development that in most cases has been postponed 'until the market returns' (Interview: Civil Servant 2).

Table 3. Examples of key changes to PFI Schemes caused by affordability gaps

Scheme	Changes to scheme caused by affordability gaps
Camden, Chalcots Estate	Contract cut from 30 to 15 years, lower quality cladding used, replacement lifts removed from contract, conversion of ground floor into flats abandoned
Manchester, Plymouth Grove	Several major features were cut, including the re-tarmacing of all of the roads, which saved £4m
Reading, North Whitley	Promise that all homes would be fitted with new bathrooms, kitchens, windows and doors within the first five years was later downgraded so homes with newer elements would have to wait later into the 30-year contract
Sandwell, Hawthorns Fields	Contract was reduced from 30 to 25 years; demolitions increased from 113 to 148 in order to increase the capital receipts from the new build programme and ring-fence as contributions to the Unitary Charge
Islington, Street Properties II	Contract length reduced from 30 to 16 years; number of council properties to be refurbished reduced from 3700 to 2954
Lewisham, Brockley	Proposed contract length was reduced from 25 to 20 years to improve affordability by avoiding assumed major renewals costs in years 21–25

(2) Organisational Capacity

PFI forces public and private sector actors into building new and complex partnerships across diverse institutional and cultural boundaries at a variety of scales. As observed elsewhere, this has brought particular challenges to the public sector due to a lack of prior knowledge, expertise and experience (Akintoye et al, 2003). There was a consensus among interviewees that in the early years of the housing PFI programme local authority housing departments found it very difficult to negotiate the unique challenges, requirements and complexities of using PFI in housing, especially in relation to pricing contracts for refurbishing *existing* assets:

> ... the point of entry was really quite difficult to quantify ... and the early projects I think suffered quite heavily from local authorities just not estimating that correctly so thinking it ought to cost x and private sector eventually saying actually it's going to cost you y and there was a big difference between x and y. (Interview with Civil Servant 2)

Local authorities blame a lack of resources for shortcomings. In-house staff shortages and turnover has seen many housing officers having to juggle their main job tasks with PFI procurement and consultation, taking a huge amount of evening time and causing particular blockages during intensive periods (PA Consulting, 2003).

> ... people are always jumping ... project managers are chopping and changing every six months. Trying to keep hold of a manager is nigh on impossible—they pay them peanuts ... a big manager for Carillion is going to be on ... a £150k package with a nice car. You pay someone at local government £50 000 to do it ... plus everything else [they have to do]. (Interview: PFI Advisor 1)

Local authorities have therefore had to rely on private sector advisors (lawyers, accountants, insurers, architects, planners) at enormous cost to bridge the lack of in-house knowledge, which has in turn prevented most authorities from investing in their own expertise. The creation of the HCA appears to have improved matters, especially with the creation in 2009 of a centrally-funded 'Transactor' support scheme for public sector managers to draw on additional expertise to their own advisors from a panel of specialist firms. Both local authorities and private consortia can also draw on the advice and expertise of Local Partnerships, which has drawn up standard procurement documentation—the housing PFI procurement pack—and provides a national training programme. However, as the recent NAO report highlighted, there is a consensus in the sector that central government administrative support to the PFI programme remains inadequately resourced:

> The PFI team at HCA is tiny. Four or five people manage 30 projects valued at £4 to 5 billion. Would you put five people in charge of £5 billion? (Interview: PFI Advisor 1)

This has contributed to slow decision making at the centre of government with Round 5 being set back by more than a year due to Treasury concerns about value for money, which led to an internal review and forced seven non-HRA schemes to significantly revise their proposals (Inside Housing, 2007). However, the move towards more rigid contract models and time-tables to speed up procurements has created the perverse outcome that missed deadlines cause significant delays because firms have to renegotiate fixed price periods for construction costs.

(3) Regulation and Governance

One acknowledged weakness of academic work on PFI to date is the absence of in-depth, longitudinal research on PFI schemes over their operational life. Official studies of housing PFI suggest that once schemes are operational they generally perform well compared to local authorities and RSLs (NAO, 2010b; PA Consulting, 2008). Testimonies gathered for this research, however, suggest that serious deficiencies exist in the regulatory environment in which PFI contracts operate that make such verdicts questionable. A large part of contract monitoring is based on 'self-reporting' by the SPV, placing the onus on the local authority to create an audit regime that can both incentivise honesty and detect non-compliance. This may be an impossible task given the size and detail of the output specification.

> ... once the refurbishment was completed, they sort of took their eye off us, if you like ... There are some things that they will never be able to audit. How quickly we removed that offensive graffiti—how would they know that? (Interview: PFI manager)

Alongside self-reporting is the role of the Independent Certifier (IC), a third party inspector jointly-appointed by the local authority and the SPV, but remunerated by the latter, to survey and sign-off refurbishments or new builds as meeting the correct standards before contractors are paid. Several tenant representatives interviewed criticised the quality of the IC's work and their low inspection rates (between 1 in 7 and 1 in 10 properties), and suspected collusion and even corruption at play because the IC's role was so critical to the profitability of sub-contractors. In contrast, a tenant representative at Manchester's Plymouth Grove scheme described the IC as the 'tenants' friend' and 'truly independent':

> He became an absolute pain in the arse for both the council and the consortium, and was a godsend for the tenants. He would enter every property and check on every standard—new plugs or sockets, decorating. Both sides blamed him of being biased. His word was final and this was written into the project agreement. (Interview: Manchester Tenant)

This mixed performance of ICs is probably the result of different agreements between local authorities and SPVs over inspection rates with a lower ratio reducing that aspect of the Unitary Charge to local authorities, combined with competing interpretations of the availability standards caused by a failure of different parties to adequately supervise IC process (Interview: PFI Advisor 1). Evidence was uncovered of an equally serious problem that has been recognised by the Treasury (HM Treasury, 2007) to affect PFI generally, namely that local authorities are wary of imposing deductions for fear of threatening their relationship with or financially undermining the SPV, and so pursue a flexible approach to sub-standard performance because of the political risks of termination:

> ... they err on the side of, well, you know, "the refurbishment is slipping, demolition work that's slipping, let's give them [the contractor] the benefit of the doubt ... We don't want to be terminating or giving them too harsh a penalty or they might walk away" ... It's difficult because you're dealing with tenants who need to be in properties and people's homes ... politically, how do you deal with that? (Interview: PFI Advisor 1)

Fining a contractor for failing to meet the availability standards does not alter the reality for tenants that they will have to live in a sub-standard property with the prospect of enduring more disruption and stress in the future from reparation works. For example, in Leeds City Council's Swarcliffe PFI scheme, 18 months after the contract began in March 2005, not a single council home had been deemed 'available' and elderly tenants were being forced to live for weeks in homes that lacked fully functioning bathrooms and kitchens (Interview: Leeds tenant).

(4) Value for Money (VfM)

In theory, no PFI scheme can proceed unless it has been adjudged better VfM than a comparable scheme under traditional procurement, known as the Public Sector Comparator (PSC). Officially, the first seven PFI Pathfinder schemes represented better VfM than a PSC by a range of 1 per cent to 17.3 per cent (PA Consulting, 2008, p. 13). However, the experience of rising costs and procurement delays undermines such assertions, which the NAO argues are in any case not backed by rigorous evidence. One of the NAO's main criticisms is that VfM analysis takes place prior to contract signature and not over the life of the contract, which Coulson (2008) argued does not take sufficiently account for rising costs and the opportunity costs of meeting them. Housing PFI has also suffered from another VfM weakness of PFI, namely that public service managers have little choice but to 'interpret and present data' in a manner that ensures the PSC does not beat the PFI option as the latter is the only one being funded (Spackman, 2002, p. 296).

Similarly, Treasury assumptions about the private sector's superior efficiency levels due to competitive markets (Corner, 2006) runs counter to the real world oligopolistic market for housing PFI schemes in which the prohibitive 'cost of competition' has forced short-listed bidders to pull out early from at least four procurements, undermining competition. One advisor suggested that average bid costs for private sector consortia ran at around £3 million, which represented far too much of a risk to many companies, and therefore companies 'only bid if they are going to win' (Interview: PFI Advisor 1). This was backed by another advisor:

> ... if you look at who's bidding and who's winning it's the same... one of the reasons it's a small market is if you are a new player and you look at what you have to do to get up to speed, it's a lot. (Interview: PFI Advisor 2)

Ironically, a major market entry barrier and VfM concern is the need for each SPV and their sub-contractors to employ advisors to cover a range of legal, financial, technical and insurance issues, whose fees form the vast majority of procurement costs (NAO, 2010b, p. 8). One advisor confided that her firm would expect to earn £500 000 to advise a winning SPV (Interview: PFI Advisor 3). The average public sector cost per scheme is routinely put at approximately £2 million, with some councils spending more than £3 million, dwarfing previous estimates of £500 000 (Hodges & Grubnic, 2005). One advisor was adamant that advisors were 'all over-charging' for 'unnecessary and repetitive work', suggesting that the public sector (and the losing private sector bidders) are being held to ransom by a small number of experts carrying out potentially unnecessary work, a conclusion shared by some advisors themselves. Government response is that although 'PFI is advisor heavy', many local authorities as well as private firms are failing to manage advisors (Interview: Civil Servant 2).

Beyond the failure to adequately account for advisor costs is the dubious calculation and transfer of risk itself. As public authorities can normally raise finance more cheaply than private actors due to the security of taxpayers' money, PFI can only represent VfM if the supposed financial value of transferred risks to the SPV is included in the cost-benefit analysis (Froud, 2003). It is clear that pricing risk is a 'grey area':

> *SH:* How is risk priced and calculated?
>
> *PFI Advisor:* Very good question, *I've no idea*! I don't think it is as scientific as we might all like to think it was . . . you look at the picture overall and you say "well, we reckon a million pounds worth of pricing risk in there" . . . I think a lot of it comes down to commercial judgment and gut feel . . . So for example, contamination risk . . . I remember one deal where it was £8 million then you say to the council if you don't retain that risk we will put £8 million into our bid price. If you take that risk, it's £8 million straight off . . . [that's] really poor value for money . . .

In effect, PFI involves the public sector taking out a very expensive insurance policy with a private consortium to cover potential risk occurring over the 30-year contract, but should these risks not occur, or cost far less than the public sector has paid to transfer them, then the assumed VFM is lost. Advisors argue that local authorities are often prepared to transfer such risks because they are getting subsidised with PFI Credits and if the deal is affordable, even with highly priced risks, they go ahead.

Finally, local authorities have expressed concern that PFI may generate 'a disproportionate amount of investment and management attention on a small proportion of stock' (PA Consulting, 2003, para 2.4.1). For example, in Oldham the ALMO had to cut annual expenditure by £4 million in 2006/07 following a PFI deal and a below inflation increase in management and maintenance allowances, leading to 40 staff being made redundant and a number of area offices closing (Inside Housing, 2006). Tenants in PFI areas, representing a tiny minority (approximately 1 per cent) of England's 1.8m council tenants, receive far more subsidy per head than the non-PFI majority. While it is perfectly reasonable for a disproportionately higher level of investment to be channelled into the worst quality housing, interviews revealed that in many schemes only the better quality stock is refurbished in order to reduce the risk profile. A housing manager for a PFI contractor in London thought the funding system was unjust:

> I find it *quite unfair* actually that all these tenants lived in this area all their life, all paid rents all their life and yet the ones this side of the street are in these super duper properties getting this, that and the other, where if you live that side of the street you get nothing. (Interview: PFI Manager)

(5) Tenant Involvement

Despite the problems and controversies of housing PFI outlined above, for the 29 HRA PFI schemes in the programme the allocation of PFI Credits represents an unrivalled publicly-funded resource stream for improving the homes and amenities of tenants that by and large live in deprived and run-down neighbourhoods. The *quid pro quo*, however, is that PFI arguably undermines the tenant involvement and empowerment agenda championed by government in the past decade. It has already been noted that PFI has enabled both government and local authorities to avoid the need to give tenants the final say, as in stock transfer. On the rare occasions that local authorities have allowed ballots over PFI—in Maiden Lane (Camden) and Little London (Leeds)—tenants have voted ‘no’, only for their views to be effectively by-passed. In the Little London case, the local authority was simply not prepared to lose the PFI funding and argued that tenants had been misled by anti-privatisation campaigners (Interview with Councillor). It therefore re-drew the boundary of the scheme to remove a cluster of no-voting households and won a second ballot on a much-reduced turnout (see Hodkinson, 2009 & 2011). In response to Maiden Lane tenants’ ‘no vote’, the local authority has attempted to pursue an alternative self-financing regeneration scheme that is being opposed in the High Court by the local tenants association, who believe it will mean substantial demolition and private development.

Instead, PFI schemes have generally been imposed from above:

> … we didn’t have a stock options process as later tenants had with decent homes, it was no choice. The council just came to us one day and said ‘you’re gonna get PFI and that’s it’. (Interview: Reading Tenant)

While PFI does not involve a change of landlord or owner, it clearly represents a profound qualitative shift in the provision, governance and accountability of council housing services and arguably erodes residents’ existing statutory rights. For example, once the PFI route is chosen, tenants and leaseholders’ legal ‘Right to Manage’ their homes (unless already exercised in the form of a Tenant Management Organisation) is effectively lost until the contract ends because long-term facilities management is a lucrative and complex role of the SPV that to deviate from would be financially prohibitive, and could instead lead to contract termination, which the local authority and SPV would oppose:

> Oh no, they can’t do that [set up a Tenant Management Organisation]. That’s impossible because you are tied into a contract and if you breach the contract the contractor will claim penalties, you’d have to pay them off 25 years of profits from service costs which isn’t going to happen. (Interview: PFI Advisor)

In lieu of a ballot, government has issued strongly-worded consultation guidelines about the rights of council tenants and leaseholders to be consulted ‘in advance of, and at all stages during the procurement of a PFI contract’, to be given ‘adequate time to consider documents, ask questions and have proposals explained to them’ and that as ‘little information as possible should be held back from tenants on the grounds of *commercial confidentiality* (emphasis added)’ (ODPM, 2002, p. 7). However, not only are these guidelines *non-statutory*, meaning local authorities do not legally have to obey them, but as Hodges & Grubnic (2005) observed, PFI’s complexity makes it difficult for tenants and other community stakeholders to have meaningful input into a highly technical process driven by project managers and corporate consultants. This could mean weekly meetings of two hours or more for years on end, enormous documents written in jargon, constant battles with local authority officers over the minutes of meetings or unmet demands for information, and the perennial problem of time with officers always aware that delays could create ‘affordability gaps’. This would put them under constant pressure to keep consultation to a minimum, stick rigidly to a tight timetable and block access to ‘commercially confidential’ information despite official guidance requiring it. Central government, in turn, does not actively police its own guidelines on tenant involvement:

> … since one key aspect of the local authority’s business is consulting and managing a process with its tenants, residents and stakeholders we rather trust that it is good at doing that, and that it furnishes them with the right information, the right opportunities, the right thought and the right advice. It’s not something we’ve ever been tempted to weigh in on frankly … (Interview: Civil Servant 2)

However, the PFI experience has also shown that a well-organised tenants’ body can win greater consultation rights and important concessions from regeneration schemes. Tenants from Reading and Manchester agreed that after much initial acrimony, their Tenants’ and Residents’ Associations had been able to develop productive working relationships with the local authority and the PFI consortia (Focus Group):

> We changed a multitude of things that were in our refurbishment spec … We started off from the basis “there is nothing confidential here”… we are the most important stakeholders and you’ll find that officers and councillors, they churn as they move on, and we say to them “you’ll be gone soon”, but we as residents all live here, some of us were born here, some of us will die here, so we’re the most important stakeholders and you cannot keep anything from us. (Interview: Manchester Tenant)

Conclusions, Policy implications and Future Research

This paper has identified and explored some of the major challenges and experiences of the use of PFI in council housing regeneration in England. Overall, it is difficult not to conclude that PFI is an extreme form of contractualisation, which has proved to be far more complicated and expensive to apply to the social housing sector than its proponents predicted. The findings support the early findings of Hodges & Grubnic (2005) that the particular nature of council housing as both a public asset and a person’s home protected by certain rights has made the application of PFI particularly complex and difficult, thus limiting its role to one of a niche option compared to stock transfer and ALMOs. The PFI experience also calls into question one of the underlying principles behind the modernisation of social housing—that the private sector is more efficient than the public sector in providing housing services. Many of the problems of public sector delivery that PFI was supposed to overcome have remained in place. More generally, it offers new evidence from a largely ignored public service sector that reinforces the general academic and political critique of PFI discussed earlier. Whether PFI has a long-term future as a policy option in social housing delivery is open to question, but it is possible to draw five main policy implications from the research that suggest not.

First, the commodification and transfer of ‘risk’ in social housing PFI is so complex and contingent on myriad variables beyond the control of public managers that it renders the approach highly challenging and arguably counter-productive. Housing PFI appears to be particularly vulnerable to economic and political shocks because such events change the private sector's calculation of acceptable risk transfer in far more exaggerated ways than if the schemes were either completely publicly financed (i.e. ALMOs) or completely privately financed (i.e. stock transfer). Second, this particular complexity has combined with weaknesses in public sector organisational capacity to leave local authorities in a weaker negotiating position to the private consortia. Although central government has increased the technical and human resources available to local authorities, research informants suggest the private sector still has the upper hand. Third, this problem of public sector capacity links to real concerns about the effectiveness of the regulatory and contract enforcement regime that is dependent on self-reporting and in which public managers run the risk of undermining their own public services if they financially penalise contractors to the point that they go bankrupt, as in the case of the London Underground. Fourth, the paper also provides evidence to suggest that behind the National Audit Office's recent questioning of housing PFI's value for money lies a tale of sizeable waste and corporate profiteering. Given that PFI schemes have, in general, involved relatively small numbers of homes, the unit costs of consultancy advice and other transaction costs have also been high. Finally, the combined effect of PFI's complexity with the longevity of getting schemes off the ground has been to undermine other government policy agendas around tenant participation, community empowerment and sustainable mixed communities. Interviews with tenants suggest that meaningful grassroots involvement has been the exception, not the norm, while the years of inactivity have seen many estates fall further into disrepair, leading to despondency among residents.

However, more research is clearly needed, especially on the implications of housing PFI for people, place and local urban governance to understand residents' 'lived experiences' of PFI through their unique lens as both place-based *dwellers* whose neighbourhoods are undergoing major physical change, and *public service users* for whom the governance of their homes and services is being transformed. Little is known about what motivates local authorities to use housing PFI and on what basis schemes are selected both locally and nationally. What role do tenants and residents play, if any, in the initiation of PFI schemes, and how do ordinary people experience PFI as an *everyday lived practice*? How does the commodifying logic of private finance transform the *public places* (built and social environments) where PFI operates? How does *geographical context* itself (local history, politics, culture, economy, actors, spatial relationships) shape the localised use and experience of PFI in housing?

Not only must tenants and leaseholders living in PFI areas navigate through a changing governance structure, they must also literally *live with PFI* as both housing service users and dwellers of places subjected to intense socio-spatial restructuring through *in situ* refurbishment works and demolition schemes. For example, if all PFI schemes in Rounds 1–6 eventually proceed as planned, then 13 000 households (overwhelmingly council tenants) will lose their existing homes through demolition. Where will they go? What does such displacement mean for social networks and personal life chances? Is this fair? could it be avoided? What impact does spatial restructuring have on the social configuration of public housing estates? What happens to the local housing market in terms of affordability and type of supply? Then there are the democratic questions hinted at towards the end of the paper. How do residents understand the PFI process and can they shape their design and delivery? How does the use of PFI impact on residents' democratic rights and roles within local urban governance? What this calls for is a new research agenda into the 'human geography of PFI' through a comparative study of council housing regeneration schemes that can ultimately help to shape government policy and empower residents seeking to shape and influence such schemes.

Note

[1] Similar programmes were launched in Scotland and Wales albeit with different standards and end dates.

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