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TRANSCRIPT OF "FILE ON 4"

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REPORTER: Gerry Northam

PRODUCER: Jenny Chryss

EDITOR: David Ross

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ACTUALITY ON BUILDING SITE

NORTHAM: Here at the University of Lancaster, a small town of student accommodation is under construction, with 3,000 rooms planned to meet the Vice Chancellor’s ambitious expansion target. This is the country’s biggest such project under the Private Finance Initiative, PFI. And the university’s contractor is one of the most prominent in the field – Jarvis. Last month Jarvis announced its retreat from maintaining the railways, saying it wanted to concentrate on its core business without the ‘reputational risk’ of high profile incidents like the fatal train crash at Potters Bar and the derailment at Kings Cross. But in some of Jarvis’ education projects, including the showpiece accommodation scheme at Lancaster, File on 4 has found Jarvis’s reputation already dented. We’ve investigated claims of safety and security lapses, delays leaving schools unable to start on time this term, and subcontractors refusing to continue work for Jarvis. We’ve also uncovered an allegation that a major fraud was set up by rogue employees against the company itself, involving £100,000 in backhanders.

SIGNATURE TUNE

ACTUALITY IN STUDENT ACCOMMODATION

OBOLER: This is our entrance. There we go. Mind the construction stuff.

NORTHAM: Oh, a mastic gun, hammer and a box of nails on the floor. When Andre Oboler arrived at Lancaster University last month to start his computer science PhD, there were noisy diggers and earth movers outside students' windows, but they were told it wasn't a building site, merely an area with building work on it. Out of 400 new student rooms, more than a hundred weren't ready as Jarvis overshot its deadline for the start of term. And inside their accommodation blocks, three weeks into the term, Andre was still discovering problems.

OBOLER: We are in the kitchen now and here we've a cupboard ...

NORTHAM: With a door fallen off.

OBOLER: Well, as you can see, it basically fell off. The screws stayed in the hinges, they're still in there now, and we've got giant holes through what looks like chipboard to me. Over on this side we have the oven.

NORTHAM: Looks nice.

OBOLER: Looks nice. Only problem is when you open it, the entire oven slides out.

NORTHAM: That's terrible. It's come a foot out and is tipping towards the ground.

OBOLER: Yes.

NORTHAM: It's just come complete

OBOLER: Completely out of the socket where it's supposed to be.

NORTHAM: Andre and many others have raised protests about problems with their new accommodation and taken their complaints to the head of the university's Residence Office, Dr Hilary Simmonds, who gently acknowledges that the 38 year building and maintenance contract with Jarvis hasn't got off to the best of starts.

SIMMONDS: We expected there to be some snagging problems at the start of such a big project, and we haven't been surprised by that. There have perhaps been a few more than we anticipated. Typically with a new building of any sort you will get quite a lot of snagging problems.

NORTHAM: But you said you'd had more than you expected?

SIMMONDS: Yes, we have been disappointed.

NORTHAM: How have you expressed that disappointment to Jarvis?

SIMMONDS: We have involved them in talking to the students, and they have been making huge efforts to try and resolve the problems as quickly as possible.

NORTHAM: Do you believe in general that the students have a valid set of complaints here, or are they just whingeing.

SIMMONDS: Postgraduate students are not going to complain if there aren't some grounds for complaint. So yes, I think there are some valid complaints.

NORTHAM: The start of a university term is a predictable date. Why did Jarvis not meet it?

SIMMONDS: Jarvis were always working to a very tight schedule due to delays in the signing of the original contract, which neither side had total control over. Jarvis agreed that it could build the accommodation in the timescale, so we went with that.

NORTHAM: But in fact they didn't.

SIMMONDS: But in fact they didn't.

NORTHAM: Despite these reservations, the university insists it's chosen the right partner for its PFI, and decided last month to stick with Jarvis for the next stages of building. This news came just five days after the rail debacle and brought Jarvis bouncing back in the headlines. The choice of Jarvis has been questioned by the Students' Union and some individual students. Chris Cotton, a postgraduate in international law, was concerned by the safety implications of what he found in one of the new blocks, called Thirlmere, early in the term.

COTTON: One night we walked into Thirlmere and found that it was full of flammable materials in stairwells which had to be used in case of a fire alert.

NORTHAM: What kind of materials?

COTTON: There was paint left under the stairwells, there was glue bottles actually left on the stairs itself. When the fire brigade came out, he said it was a serious hazard. He explained to me the construction of the building, that you need the firewells clear of all obstruction and any flammable material, because it is the only way to get out of a burning house. And by putting flammable materials in the only way you can get out is highly dangerous. There was also lots of carpet left all over the place, which you could easily trip over on the stairs. It was just dreadful.

NORTHAM: You were living here. What did you make of this incident, where the fire brigade came out in the middle of the night and called Jarvis out in order to move stuff because they thought it might be a fire hazard?

COTTON: My own opinion, I think Jarvis had a scant regard for our safety on that particular night.

NORTHAM: On Lancaster City Council, the university has its own ward. One of the councillors, Stuart Langhorn, has examined a number of residents' complaints and the way Jarvis has responded to their problems.

LANGHORN: When the students first moved in, these complaints were fairly obvious. I can see, just looking round this building, that conditions were not right and were not safe for the students to move in.

NORTHAM: Not safe?

LANGHORN: Not safe, not secure. The rooms here had no locks on the doors when the students first moved in. Jarvis employed security to go around the building, but I walked straight in and walked straight out and wasn't even stopped. Since then, Jarvis are saying that they are getting things done. But, I mean, we're a month into the new term and there are still problems. It takes time, I appreciate that, but really one questions why some students were allowed to come into buildings that clearly were unsafe, by professional opinion, and clearly not secure.

NORTHAM: For senior management in the Jarvis division responsible for university accommodation, any suggestion of lax safety or security is an especially sensitive cause for concern. So how does the Chief Executive, Andrew Sutton, respond to complaints of such lapses at Lancaster University.

SUTTON: I would disagree that it wasn't secure. We had security 24 hours a day, which required that people who wished to enter had to show their pass cards in order to do so.

NORTHAM: Well a local councillor says he walked in and out, nobody knew who he was, and nobody stopped him.

SUTTON: Obviously I can't comment on that.

NORTHAM: But it suggests that the pass system wasn't working, doesn't it?

SUTTON: There may have been the odd occasion where it didn't work as well as it might do ...

NORTHAM: And therefore there was a problem with security.

SUTTON: For, I think, a few days, there was a problem with the commissioning of the entry system. That was regarded as a priority and it was fixed.

NORTHAM: The fire brigade were called out in the middle of the night because flammable materials had been left on the stairwells, which were the fire escapes, and they had to be moved. That's just bad practice.

SUTTON: The flammable materials, in fact what it was was carpet ...

NORTHAM: Well, some of it was carpet and some of it was cans of materials that could burn.

SUTTON: There was a pot of adhesive for the carpets.

NORTHAM: I have seen a photograph of this and there are several pots.

SUTTON: My understanding is there was one which was full of adhesive.

NORTHAM: Even if it is only one – and that's not what I've seen in the photograph – one is too many and it's not safe.

SUTTON: It was something which was wrong. The subcontractor involved with it was taken to task over it. We actually received a letter of apology from them the following day, and it was a single incident which hasn't been repeated.

NORTHAM: And what does Mr Sutton make of the oven we saw, which was unfixed to its mounting in the new kitchen?

SUTTON: There was, as I understand it, one oven which wasn't properly fixed.

NORTHAM: Well it had six screw holes and not one of them had a screw in it.

SUTTON: That's why I'm saying it wasn't properly fixed. It should have been, of course. For some reason in the quality control it was missed. And bearing in mind phase 1 of this project has 402 student rooms in it.

NORTHAM: But it's a safety concern, isn't it?

SUTTON: It's certainly a concern for us.

NORTHAM: Were you about to say you apologise?

SUTTON: I was about to say that it would be of grave concern to us that our control procedures might have missed that. As soon as it was raised, it was fixed.

NORTHAM: If that had been discovered by a student when the oven was on and they were cooking in it, it could have been disastrous.

SUTTON: It could have been nasty.

NORTHAM: And that's your responsibility.

SUTTON: Of course.

NORTHAM: Lancaster University is just one of Jarvis's education projects, and we've found it's not alone in attracting complaints.

ACTUALITY ON WIRRAL

NORTHAM: This is the Wirral, where Jarvis has a £55 million PFI contract covering nine schools. Relations between the company and the borough council have been strained for months and appear to be getting rapidly worse. Here too there have been delays in construction. By the start of this term, five schools were unable to open because work was behind schedule, leaving parents at least frustrated. Now File on 4 has discovered that further problems have come to a head in recent days between Jarvis and its subcontractors.

ACTUALITY ON SITE

MAN: Good morning.

NORTHAM: Good morning. Is there somebody here from Ritson & McKenzie?

MAN: Is there?

NORTHAM: Yes.

MAN: Who are you?

NORTHAM: We're from BBC Radio.

MAN: Can you

NORTHAM: At one site, where work is still unfinished – the Wirral Grammar School for Girls – the main subcontractor, a general construction firm called Ritson & McKenzie, has called a halt to work, and late last week was walking off.

BURKE: Good morning, Terry Burke, contracts manager at Ritson & McKenzie.

NORTHAM: How do you do. I'm Gerry Northam from BBC Radio. What's happening today?

BURKE: These are our vans here and we're moving all our plant machinery and equipment off site.

NORTHAM: Why is that?

BURKE: You'd have to speak to our office, I'm only the contracts manager.

NORTHAM: When did you start pulling out?

BURKE: Tuesday.

NORTHAM: And when will you be gone?

BURKE: We hope to be completed by tomorrow night.

NORTHAM: How much work is there left to do here?

BURKE: [laughs] The school needs to be completed.

NORTHAM: It's not finished?

BURKE: No.

NORTHAM: For the school, this raises the prospect of further delay in opening new technology areas and other vital buildings. The Wirral's Director of Education, Howard Cooper, doesn't conceal his irritation.

COOPER: The current phase of the project was due to be finished by October of this year. We're now in early November and the project still hasn't been finished. Colleagues met representatives of Jarvis just before half term in late October and we were given assurances that the work that should have been finished in October would be finished in March 04. Clearly that's quite a significant delay.

NORTHAM: So what difference does it make now that the main subcontractor last week walked out? Do you expect Jarvis now to be able to make the March next year deadline?

COOPER: Quite clearly if the schedules have been drawn up by the company on the assumption that there will be a continuity of work between October and March, if there is a disruption to that continuity then it's possible that there might be further delays. It's true to say that we've had a series of deadlines which Jarvis have not been able to keep to.

NORTHAM: As Director of Education, this is frustrating, isn't it?

COOPER: It's extremely frustrating as Director of Education, and it's a whole lot more frustrating for teachers in schools, youngsters in schools and parents, because they're looking forward to these facilities and have seen good facilities come onstream when Jarvis have delivered them to us. But it is frustrating and disappointing.

NORTHAM: The reason for last week's dramatic walk-out isn't hard to find. The subcontractor, Ritson & McKenzie's head office tell us it comes after a long dispute over payments from Jarvis with, we understand, a difference of £750,000 at stake. With no agreement, the subcontractor has downed tools. Two joiners we spoke to from the Wirral schools contract, Peter Fox and Paul Daly, complain that their work has been disrupted by a number of late payments by Jarvis via Ritson & McKenzie to their employer.

FOX: We've been sent home a few months ago for a day or two because Jarvis never paid Ritson & McKenzie the amount they owed, and now we've been laid off for about two weeks on and off. Ritson & McKenzie wouldn't buy no materials because they were waiting for Jarvis to make a payment.

NORTHAM: Who tells you that it's a problem with payment from Jarvis?

FOX: The subcontractor I work for. He tells us that he'll have to lay off because he can't afford to pay us, because they've had no money in off Jarvis.

NORTHAM: How many times has it happened in the course of this contract that you've been sent home because you were told the money wasn't coming through from Jarvis?

FOX: Three times, I think, over six months.

NORTHAM: Is that normal in the industry?

FOX: No, it's the first time it's happened to me, actually.

NORTHAM: In how long?

FOX: Eighteen years.

DALY: I've worked for plenty of companies and I've never heard this one before – holding back on cheques.

NORTHAM: It's never happened before?

DALY: Never happened before.

ACTUALITY OF BRICKLAYING

NORTHAM: On the outskirts of Blackpool, the already large branch of Tesco's is being doubled in size, using bricklayers from a local firm, Steve Barratt and Sons. Until recently, 35 of Mr Barratt's workers were building walls for a new sports hall at Wirral Girls' Grammar School. But then he downed tools and quit, complaining of late payments from Jarvis totalling £60,000, without which he wasn't prepared to go on.

BARRATT: Payments are diabolical. You can't through to no one. Everyone passes the buck. On that particular site I was never paid on time once. With us only turning over around £1 million a year anyway, £60,000 to me was a hell of a lot of money, and I explained to them, I wrote letters to them, half begging, who can I speak to, why is there a problem, what have I done wrong? No response at all to any letters and just didn't get paid.

NORTHAM: Was this anything to do with the quality of your work or the timeliness of your work?

BARRATT: No. There'd been no issues, there'd been no arguments.

NORTHAM: What then is your overall judgement of the way Jarvis' payment system has operated for you at the Wirral?

BARRATT: They'd send the firm skint. They're the worst firm I've ever worked for in my life.

NORTHAM: Three weeks ago Steve Barratt complained publicly that he'd been messed around by Jarvis, was angry and had quit the job. When his outstanding payment arrived, it was too late to make him want to work for Jarvis again. The difficulty for the school, he says, is that when tradesmen walk off, this may increase delays in the work still further.

BARRATT: If I go on a site and there's a problem on site – ie in ground works – and they're delayed for a reason, I can't put my walls up. If I pull off a job through non payment, say I'm two weeks delayed into an eight week programme through pulling off, then obviously the man following me up – ie, the plumber, the plasterer, the joiner – he can't put work in walls that aren't there. So the knock-on effect, it just goes massive down the line.

NORTHAM: So if schools are late in opening, as they have been in the Wirral, the explanation for that is what?

BARRATT: I wouldn't know the explanation at all, because how tight their programmes are, I don't know. But at the end of the day if I am knocked back two weeks and someone else is knocked back two weeks, that's never going to go away, is it?

NORTHAM: For some subcontractors, a late payment can become a threat to survival of the company. At the start of last week we met representatives of a small building firm that's worked on Jarvis schools contracts in the Wirral and Liverpool. They complained that payments for work they'd completed were so late that their company, Red Construction, was on the point of bankruptcy. They were pressing Jarvis for £50,000 outstanding, they said, for months. The company secretary, Jane Cooney, described her increasingly despairing attempts to get some explanation or commitment from Jarvis' regional office.

COONEY: When I call the Altrincham office, the receptionist seems ready for me. It's either the person's on the phone, they're out of the office, they're on holiday, they're in a meeting. It's just the same things over and over. I tend to ring on the hour, every hour, just so she gets fed up with me, but she doesn't, and it's just the same thing over and over again.

NORTHAM: Calls don't get returned?

COONEY: Calls don't get returned, no. I do leave messages. They don't get returned. I've even tried emails as well, and they get ignored.

NORTHAM: And what do you make of all that?

COONEY: To us it's worrying. If they're not returning our calls, have they got any intention of paying us?

NORTHAM: Red Construction had to give up its office for lack of funds, leaving Jane Cooney working unpaid at home, staving off creditors. The company's founder, Joe Ryan, complained that shortage of cash was halting the progress of the company he had built up over the past two years.

RYAN: It was fine. We were successful, growing very fast. We had other opportunities. And then all of a sudden we weren't paid and that started all our problems. If we'd have had all of our money on time, we'd have been able to undertake other projects. At the moment we are barely trading as a company.

NORTHAM: Barely trading?

RYAN: Yes, absolutely. We are waiting now for money to come in.

NORTHAM: What's your own position in the company then?

RYAN: I have left the company.

NORTHAM: You've left the company?

RYAN: Yes, because ...

NORTHAM: But you started the company.

RYAN: Absolutely. But the company, as an entity, can't afford to pay my salary, so I have gone elsewhere, so I am not a drain on the company. Otherwise we would have gone to the wall.

NORTHAM: How close are you to going out of business?

RYAN: Exceptionally close. I don't think that Jarvis should be allowed to be able to do these things to whatever size company. It's just wrong. It's wrong.

NORTHAM: On Monday last week we told Jarvis we wanted to ask about Red Construction. On Friday afternoon we put the company's plight to Andrew Sutton, Chief Executive of the Jarvis division running the Wirral contract.

SUTTON: I'd heard Red Construction mentioned a couple of days ago. I checked, and they have been paid. I can't tell you the date, I'm afraid.

NORTHAM: They say that there's £50,000 odd outstanding, which you haven't paid them, and that this has pushed them to the point where a firm employing twenty people now employs one, who isn't being paid, working from home, and struggling to keep the company going, with creditors on their back.

SUTTON: We have paid to them that which they are owed.

NORTHAM: This seemed odd, since Red Construction had checked their bank on Thursday afternoon and found that there was still no payment from Jarvis. Late Friday they checked again and a payment had been made at 3 o'clock that afternoon - £33,000 – not all they say they are owed, but enough to stave off bankruptcy. By happy coincidence, after months of delay, this direct transfer from Jarvis came just as we were sitting down for our interview with Andrew Sutton. In September, as the school term approached, the Wirral council's cabinet met and considered the delays as urgent business in view of public concern. It blamed the fact that works being carried out by Jarvis were incomplete. In one school, it said, this was due to discovery of a larger than expected amount of asbestos. But for the rest, it said the reasons for delay included:

READER IN STUDIO: That the company had experienced difficulty in recruiting labour, and there had been problems in the relationship between Jarvis and its subcontractors.

NORTHAM: One of the Wirral MPs, Frank Field, has grown increasingly critical of Jarvis' payment record on the schools contract, having heard of serious problems that delay is bringing to teaching staff.

FIELD: I was in one of the Birkenhead schools the other day and there was a sense of chaos reigning. Dates when Jarvis had promised to finish works had been lost, and children had been sent home because the school couldn't open. The headteacher told me that people were not now on site and would not come back on site to complete work until Jarvis put some money up.

NORTHAM: Is this just something about the way the industry runs or is it about Jarvis?

FIELD: That I don't know. But it seems to me extraordinary that in one area where I know a little about – the Wirral – that workers have left the site, not willing to continue to work for free for Jarvis without any idea when they are going to be paid.

NORTHAM: What should be done about this?

FIELD: There's very little that can be done other than exposing Jarvis publicly. Why would any sane firm ever behave like this when they have chalked up these huge deficits with public confidence viz-a-viz the railway maintenance programme? They say that they are withdrawing from that, I thought because they wished to concentrate where they were successful. So it's this amazing position where Jarvis have served up a double whammy on themselves.

NORTHAM: For Jarvis, Andrew Sutton points to its annual reports of payment schedules, which he says put his company ahead of the industry average in promptness. And he denies any problem of late payments on particular sites such as the Wirral, even though the council said in September that one cause of most delays was Jarvis's problems with subcontractors.

SUTTON: I think that is incorrect.

NORTHAM: There have been no problems between you and the subcontractors that are responsible for delays?

SUTTON: Difficulties arise with subcontractors from time to time. They are not a cause of delay.

NORTHAM: Then the council have got this wrong, and so has the local MP, Frank Field, who has spoken to a head in his constituency and says that there is a persistent pattern of delay caused by subcontractors complaining they are not getting paid by you.

SUTTON: I think Mr Field has got it wrong, yes.

NORTHAM: So he's got it wrong, and the council's got it wrong and the subcontractors complaining to us have got it wrong?

SUTTON: There are many subcontractors who you spoke to who don't have a problem.

NORTHAM: But the subcontractors who have complained to us that you owe them money are wrong?

SUTTON: Are the subcontractors saying that it's causing delay to the schools?

NORTHAM: They certainly are. They are saying, 'If I can't put a wall up, the next guy comes along to plaster it and it's not there, so that's a delay. Then someone comes along to do the plumbing and that's a further delay.' They say absolutely that late payment is causing delays.

SUTTON: That's something which I would disagree with. It is incorrect. There have been difficulties with subcontractors from time to time. They will be overcome. The council accept that asbestos and other similar matters have been causative of certainly a very large part of the delays.

NORTHAM: One school in nine is what they say is due to asbestos
.....

SUTTON: No, no, no

NORTHAM: It's in the minutes, 3rd September.

SUTTON: Perhaps you should ask them again now.

NORTHAM: Yesterday evening I did. Returning to the Wirral, I found Howard Cooper, the Director of Education, still at odds with Jarvis' account.

COOPER: It's fair to say that there is a difference of opinion between ourselves and Jarvis about the impact of asbestos removal works in terms of the schedule for the project. In one of the schools, South Wirral High School, it has been a major delay. In each of the other schools there have been small amounts of asbestos, and that clearly takes time to remove. In most cases, existence of that asbestos was known prior to the contract being signed. And although there may have been short delays in relation to the other schools, they have not been sufficient to account for the quite extensive delays that we have seen in the completion of the other projects.

NORTHAM: And have you changed your mind about the causes of these delays since 3rd September?

COOPER: No.

NORTHAM: So when Andrew Sutton says, 'Perhaps you should ask the council again,' I have asked you again and you have given me the same answer.

COOPER: Yes.

NORTHAM: Complaints of late payment by Jarvis aren't confined to its contract on the Wirral. We have the receivership documents for a company which worked on a different schools PFI project and which went into liquidation in June this

NORTHAM: And x was what fraction of what you needed?

MAN: One particular time we got £500,000 to pay a £2.5 million bill.

NORTHAM: That's one-fifth.

MAN: That is one-fifth.

NORTHAM: That was for one month?

MAN: Just for the one month, but it happens regularly. It's not a one-off occasion.

NORTHAM: This suggestion of frequent late payments for Jarvis subcontractors on education PFI projects is a matter for the Chief Executive, Andrew Sutton.

SUTTON: I can't comment on anonymous allegations

NORTHAM: Why not?

SUTTON: Because for all I know they may be mischievous, they may be, dare I say, even invented.

NORTHAM: Well no, this is a man I've met. He is who he says he is. He was a senior site manager for Jarvis.

SUTTON: I can't comment on broad allegations, nor should I. Broad allegations by anonymous people.

NORTHAM: Then let me ask you the straight question. Is there a problem at head office that a block is placed on payments that should legitimately be made to subcontractors, and that means they don't get them on time?

SUTTON: No.

NORTHAM: It doesn't happen?

SUTTON: There is not a block put on, in answer to your question.

NORTHAM: There is no block?

SUTTON: There is not a block put on payments which legitimately be made.

NORTHAM: We've established that complaints have been made of late payments by Jarvis in another huge schools PFI project covering twenty schools in Kirklees in West Yorkshire. File on 4 also reported last year that headteachers there collectively asked the government to investigate complaints of shoddy workmanship and delays. We understand that relations between Jarvis and Kirklees Council have since improved. Now we have discovered that an attempt at a serious fraud against Jarvis has been alleged in Kirklees, involving a plan to siphon off £100,000 of the company's money in the PFI contract.

ACTUALITY IN SCHOOL

NORTHAM: What has your company done here?

MAN: We've actually wired the school throughout with fibre optic cables, telephone cables and the backbones.

NORTHAM: The allegation comes from a company that worked for Jarvis installing cables and networking for schools' computer systems.

MAN: ... you've got to plug into each one of them.

NORTHAM: So from the classroom computers around the school, the cables come back here?

MAN: Yes. There's like four locations

NORTHAM: In 2001, the company Connect Up Ltd was asked to quote for the job of completing IT and data installations in the Kirklees schools, Two of the company directors at that time met management representatives of Jarvis to discuss the bid. Carl Glendinning, who was then Connect Up's head of finance, was at the meeting and says his tender for the work was £330,000. In response, the two Jarvis managers, he says, outlined a scam as the price of the contract. Connect Up had to pay £110,000 onto a third company for fictitious work, and £100,000 of that would end up with the Jarvis managers. To fiddle the money out of the PFI, they said Connect Up first had to significantly increase its tender price beyond £330,000.

GLENDINNING: We were told that that figure was to be increased to £456,000 and that of the £126,000 uplift, we would be invoiced for £110,000.

NORTHAM: Was it explained what that extra £126,000 was to cover?

GLENDINNING: On the fact of it, it was for the design element related to our work, although we were told that that money, of the £110,000, £100,000 of that would be paid in one form or another to [beep] and [beep].

NORTHAM: Who told you that?

GLENDINNING: They told me that themselves during the meeting.

NORTHAM: They both said it?

GLENDINNING: Uh huh, they did.

NORTHAM: If you had said, no, we've submitted a bid of £330,000, we're sticking to that, what would have happened?

GLENDINNING: We were told that we wouldn't get the contract if we didn't agree to it. The work would be placed elsewhere. We were in a situation where we had ten engineers effectively sat around. We had no work for them anymore. Getting the work back onstream with Jarvis would let us get those guys working again and save us having to lay those engineers off.

NORTHAM: You must have known that what you were being asked seemed wrong.

GLENDINNING: Yes, it was most definitely wrong, certainly to that kind of extent. Anybody asking for things like that is always wrong, although I think anybody who's in business has to accept that a certain amount of it goes on, albeit it at a low level, but it's definitely wrong when somebody is taking out money to that extent.

NORTHAM: While the allegations are under investigation, we won't give the accused managers' names. File on 4 has confirmed this account of their meeting with Connect Up with the other then director who was there. Shortly after the scam was proposed, it was reported to Connect Up's board at a meeting attended by the company's accountant, Ian Jeal.

JEAL: We were told that the £110,000 was to be paid in lieu of consultancy services that would not be provided. We were to be invoiced for drawings, and as far as Carl could make out basically it was a backhander for the people that were running the scheme on behalf of Jarvis.

NORTHAM: When you heard that, what did you think?

JEAL: At the time I said I obviously feel discomfort in this, but the view was that we wouldn't get the contract if we didn't increase our price by this, and therefore it was decided within the board that the contract should be taken.

NORTHAM: You thought it was a backhander?

JEAL: My understanding was it was a backhander, yes. From an outside point of view, Connect Up was always going to be seen to be whiter than white because all we'd done is we'd paid an invoice for services rendered to us.

NORTHAM: So you'd look okay, but in fact you must have known that this was unethical?

JEAL: That's correct, yes.

NORTHAM: But it went ahead?

JEAL: It did, and the contract was taken on at the price requested by the officials from Jarvis.

NORTHAM: Late last year, Carl Glendinning claims, the two Jarvis managers arranged to speed up the flow of money by fraudulently inflating the monthly invoices, known as valuations, from Connect Up so that cash would be available to pay to the third company they used to disguise their backhanders. We have seen copies of emails sent between Carl Glendinning and one of the Jarvis managers. On 12th September last year, for example, he submitted what he says was the true invoice for the past month's work – just over £46,000. The next day the manager emailed back from the Jarvis office with a revised invoice, totalling more than £76,000. The additional £30,000, Carl Glendinning maintains, was fraudulent. The email from the Jarvis manager said to him, 'Please submit as attached,' which he admits he did for several months as the work progressed.

GLENDINNING: We would meet formally either at Connect Up's offices or Jarvis's offices on at least a monthly basis and then we would meet informally outside all offices on a weekly or at least a fortnightly basis, initially to discuss the uplift on the price, and then on an ongoing basis to discuss the artificial uplift of the monthly valuations.

NORTHAM: Did you at any stage hear either of them say that there had been any misunderstanding in the original negotiation that you'd had with them, and that this £100,000 was actually for work being legitimately done?

GLENDINNING: No, it was quite clear from the outset that that money wasn't for any legitimate work.

NORTHAM: In June this year, more senior managers from Jarvis held a confidential meeting with Connect Up in the company's offices, at which the allegation of fraudulent payments demanded by Jarvis employees was set out in detail. Jarvis wrote to Connect Up on 18th June, summarising the claims made at the meeting. The key allegations against the two Jarvis managers include:

READER IN STUDIO: After submitting the initial tender, Connect Up Ltd were advised to increase the collective tender sum by £126,000. It was clearly understood by Connect Up Ltd that no works of any kind would be carried out in respect of the increase, and that the increase was purely a mechanism used in order to secure the contract. Connect Up were advised that if they did not agree to the above, they would not be awarded the contract.

NORTHAM: Which means that Jarvis knew that two of its managers were accused of coercion against Connect Up and of fraud against Jarvis itself. These are, as Jarvis acknowledges, serious allegations of misconduct. The question for Jarvis is how it responded after 5th June when it was alerted to them. The managing director of Connect Up tells us he's had no contact from the police about the claims. For Jarvis, Andrew Sutton, the Chief Executive, says that both the accused managers have now resigned and that he has treated the allegations of fraud properly.

SUTTON: We ordered that all documents which could be related to this matter be secured. We instructed two independent firms to investigate, to obtain information as and where they were able, including interviewing certain people, and to produce a report. Their work is still ongoing.

NORTHAM: This is five months later.

SUTTON: It is a complicated matter. I am expecting to receive reports from those two firms in the near future, at which time we will be taking advice on what is an appropriate course of action, and we will follow that advice.

NORTHAM: Have you alerted the police to the fact that a crime has been alleged by people who claim to have been witnesses to it?

SUTTON: As I say, when we get the reports, which are expected soon, we will take advice and we will take the appropriate action following that advice.

NORTHAM: So the answer is no, you haven't alerted the police?

SUTTON: No, we have not alerted the police.

NORTHAM: But people told you a crime had been committed.

SUTTON: We received some uncorroborated allegations. We have taken what we think is the appropriate action in getting independent investigation to, amongst other things, seek corroboration of those allegations, and we will take the appropriate action once that is concluded.

NORTHAM: At Andrew Sutton's head office in London, there's a strong sense of irritation at the questions we've raised about the operation of some of Jarvis' PFIs. Complaints of shoddy work, late payments, near bankruptcy, schedules overrunning, even alleged fraud can seem like blips against a national pattern of success, bringing more than £1 billion to revitalise the education sector.

SUTTON: Within the last twelve months we have delivered seventy new or remodelled schools. That is benefiting 50,000 pupils, and if you were to look at projects all around the country you would find a lot of highly delighted headteachers, parents, pupils, local authorities. In the round I would suggest to you that that is of far greater significance than one or two mistakes which we've made, for which we hold our hands up and we put right.

NORTHAM: And what do you believe the overall reputation of Jarvis to be in its educational PFIs, given that we've heard people say they don't want to work for you?

SUTTON: You and I both know you've gone looking for people to say things like that, and you've come up with a few, but I suspect if you went looking not nearly so hard, you could find an awful lot of people who have an excellent relationship with us and are entirely satisfied by what has been delivered for them.

NORTHAM: Inside Jarvis plc there's considerable concern over the potential for poor publicity. Andrew Sutton's colleagues in the rail division learned the hard way that a thousand miles of accident free track don't outweigh one set of faulty points or a single misplaced rail. Jarvis must be hoping that the same iron law of public relations won't apply in the field of education.

SIGNATURE TUNE