# South Lanarkshire faces £165 million PFI fallout amid SNP and Labour blame game



The persistent floundering over the financial fallout from Private Finance Initiative (PFI) contracts in South Lanarkshire highlights the ongoing turmoil and incompetence within the ranks of the Scottish National Party (SNP) and Labour. Recently, South Lanarkshire Council forecasted a staggering £165.29 million in PFI and Public-Private Partnership (PPP) repayments over the next four years, a revelation met with scathing criticism from Labour officials. Labour attempts to divert blame, presenting these costs as emblematic of the enduring stain left by previous Labour governance, while SNP representatives are equally guilty, deflecting responsibility onto prior administrations’ flawed policies.

A council spokesperson enthusiastically touted this funding model as a transformative force for the local school estate, claiming it has created "fantastic learning environments." While such declarations may seek to cast the council's broader financing strategies in a positive light, the reality obscured by these claims is one of long-term financial shackles imposed by PFIs. Detractors assert that these contracts have burdened local communities with exorbitant repayment obligations that far outstrip the value of the original projects.

The PFI model, birthed during the 1990s under John Major’s Conservative government and later co-opted by Tony Blair’s Labour government, was meant to facilitate infrastructure funding without immediate capital outlay. However, as SNP leaders took control, they signalled a retreat from this damaging model, opting instead for non-profit distributing (NPD) and hub models designed to limit private profits--a distinction that sounds good on paper but glosses over the substantial financial implications of the transition. Audit Scotland's recent revelations expose the never-ending ramifications of historical PFI commitments, showing that NHS Scotland remains deeply ensnared in over £7.6 billion in liabilities, a staggering sum incurred for facilities worth merely around £2 billion.

In response to accusations of dereliction, Labour’s local government spokesperson castigated the SNP as the "architect of austerity," having slashed over £480 million from South Lanarkshire Council’s budgets in recent years. This contentious narrative further compiles the confusion surrounding local budget constraints, as both parties grapple with the heavy financial legacy left by the PFI epoch. BBC investigations have drawn attention to the alarming longevity of some PFI contracts, with lease agreements stretching beyond a century, locking taxpayers into a cycle of fiscal dependency that shows no signs of abating.

As South Lanarkshire’s council gears up for the forthcoming by-election, the heightened discourse surrounding the repercussions of PFI repayments is destined to remain at the forefront. With both SNP and Labour scrambling to masquerade as stewards of fiscal responsibility and community welfare, it’s essential to view the escalating costs tied to these historic agreements not merely as figures but as genuine burdens impacting households throughout South Lanarkshire and far beyond. These discussions are emblematic of a wider national reckoning regarding the sustainability and efficacy of public financing models that have long since failed the very people they were intended to serve.

The ramifications of these questionable financing choices echo profoundly within communities, as families navigate the escalating burdens linked to enduring contracts that continue to sap local resources. Observers will no doubt be watching with keen interest as this critical debate unfolds, certain that the outcomes will shape the political landscape in Scotland for years to come.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.heraldscotland.com/news/25204753.snp-labour-costing-households-south-lanarkshire-165m/?ref=rss> - Please view link - unable to able to access data
2. <https://www.bbc.com/news/uk-scotland-14995385> - An investigation by BBC Alba's Eorpa programme revealed that some Private Finance Initiative (PFI) contracts in Scotland included leases lasting over a century. Infrastructure Secretary Alex Neil described these deals as 'shameful'. PFI, favoured by Labour for funding large building projects, was scrapped by the SNP upon taking power, with the Scottish Futures Trust established as an alternative. Under PFI, the government agreed to pay private firms annual fees for construction and management, avoiding upfront expenditure but leading to long-term financial commitments. Critics argued that PFI was an expensive way of mortgaging public services. For instance, Hairmyres Hospital in South Lanarkshire cost £68 million to build, but the contractor will receive ten times that amount over the next 30 years. Additionally, private firms held leases on the land surrounding many PFI projects, further extending the financial obligations of public bodies.
3. <https://www.theguardian.com/politics/2020/jan/28/watchdogs-say-scottish-pfi-schemes-werent-properly-scrutinised> - Audit Scotland and the Accounts Commission reported that the Scottish government failed to properly monitor and evaluate £9 billion worth of privately financed contracts for infrastructure projects. The report found that ministers did not fully understand the profit margins of builders and lenders over the 25- to 30-year lifespan of the contracts. Some contracts were 50% more expensive than borrowing directly from the Treasury. The report also highlighted that private firms and investors made significant profits from the debt and maintenance costs over the lifetimes of the contracts, which last 25 or 30 years. The findings confirmed earlier investigations that the firms involved were making substantial profits from these deals.
4. <https://www.thenational.scot/news/24483666.labours-pfi-locked-scotlands-nhs-decades-debt/> - Labour's extensive use of Private Finance Initiative (PFI) schemes has left Scottish NHS boards with over £7.6 billion in debt for new hospitals, despite the facilities being valued at around £2 billion. Despite Scottish taxpayers paying for these facilities since 1998, they are still on the hook for an additional £3.5 billion. The high costs are attributed to the expense of fitting out and running hospitals, as well as the high standards of cleaning and maintenance required. Additionally, most parts of the unitary charge are subject to inflation, leading to higher than anticipated payments over time. Critics argue that PFI contracts for healthcare facilities often have incentives that put the NHS and the private firms servicing the hospitals at odds, making it difficult for the public sector to impose penalties on the private sector when things go wrong.
5. <https://scottishbusinessnews.net/scots-council-taxpayers-face-544m-bill-for-pfi-deals/> - Scottish council taxpayers are facing a £544 million bill this year due to decades-old Private Finance Initiative (PFI) contracts. These agreements, signed primarily under Labour governments in the late 1990s and early 2000s, have left local authorities paying far beyond the original costs of infrastructure projects like schools and hospitals. For example, North Ayrshire Council will pay £440.1 million by 2038 for four schools originally built for just £83 million. Critics argue that these deals have burdened taxpayers with exorbitant costs while funneling profits into private sector pockets. The SNP government abandoned PFI in 2007, introducing a non-profit distributing (NPD) model to curb excessive private sector profits. However, the financial burden persists, with Scotland still owing £15.4 billion under existing PFI contracts for hospitals and schools, with repayments indexed to inflation.
6. <https://www.heraldscotland.com/news/homenews/23347394.revealed-8-5bn-bill-2-9bn-scots-infrastructure-projects/> - The taxpayer is facing an £8.5 billion bill to pay for £2.9 billion of roads, schools, and hospitals through special private finance projects sanctioned by the Scottish Government, many part-owned by firms based in offshore tax havens. Concerns are being raised over the 'colossal' cost to the taxpayer of the latest private funding schemes to improve Scotland's infrastructure through over 50 schemes, with some £1 billion already paid out and a further £7.5 billion more still to be forked out in the next 26 years. The private funding payments mostly cover the cost of financing, including the interest, plus the maintaining of buildings until they are paid for in 2048 when they are then handed over.
7. <https://www.thenational.scot/news/24489713.29bn-new-labour-pfi-debt-bought-scotland/> - Over the past few days, we've chronicled the story of how New Labour's private finance initiatives (PFIs) have impacted Scotland – from schools in poor condition to hospitals without air conditioning. Now, The National can reveal that Scots have had £29 billion of debt foisted on us by PFIs – and that we will be paying the bills until 2043. Scottish local authorities, NHS boards, and other public bodies have been paying 'unitary charges' – the 'mortgage payments' and service charges for PFI projects – since 2000. In total, public bodies are on the hook for £29.86 billion of unitary charges – on just £5.8 billion worth of infrastructure. Some of the difference between the project values and the total costs comes down to how PFI contracts work. The consortiums that built hospitals, motorways, and schools across Scotland take some responsibilities, like cleaning, catering, and maintenance, from public bodies. They take payments for these through the unitary charge, meaning that these services are factored into the projects' lifetime costs.