

THE CONVERSATION

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Scottish schools shutdown: problems with PFI buildings could hit the rest of UK

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Oxgangs Primary in Edinburgh ravaged by storm earlier in the year. PA/Andrew Milligan

Pupils and parents in Edinburgh are still digesting the news that 17 schools have not reopened after the Easter break. It affects more than 7,000 pupils, many of whom were getting ready for national exams at the five secondary schools affected. It may cast a light on the Private Finance Initiative (PFI), a policy widely used around the UK in recent decades for constructing public buildings with private money.

The closures date back to Storm Gertrude earlier in the year, which toppled part of a wall at Oxgangs Primary in the city. During repair work at that one and another primary, contractors found serious defects. When Edinburgh Schools Partnership, the consortium that oversees the PFI schools, told the city council it could not guarantee the safety of any of the schools that were built around a decade ago as part of the same contract, the council decided to temporarily close them all.

City of Edinburgh Council is particularly sensitive to the safety of school buildings. A 12-year-old pupil died two years ago when a wall in a school changing room collapsed at the city's Liberton High School (this was not one of the schools affected by the latest announcement). There are gathering calls for a safety review of other PFI schemes in Scotland, and policymakers further south are no doubt watching anxiously. The question is how big these problems could become. Can we expect more closures across the country – PFI was used not only for schools but for hospitals, prisons, roads, bridges and much more.

The UK picture

The UK has been a major player in PFI since it was introduced in its current form in the 1990s by the Conservative government, before being renamed Public Private Partnerships (PPP) by the Labour government later that decade. Usually the model is that a local council contracts with a private company to design, build and finance a building and then maintain it for 25 years. The council pays an annual fee to cover these costs and is also responsible for all the teaching staff and teaching; and at the end of the contract it usually has ownership of the building.

By 2014 there were 671 operational PFIs in the UK. Their total capital value was £56.6 billion – that's the aggregate financing costs in all the projects plus any public-sector capital contributions. These cost the public purse £10.3 billion in the year 2014-15 in services charges and debt payments. (I should add that while PFI continues [pdf] in England, in Scotland the SNP government replaced it a few years ago with Non-Profit Distributing (NPD) contracts – NPD uses a similar model but caps the profits that contractors are allowed to make.)



Tony Blair visiting Edinburgh's PFI-built Royal Infirmary in 2003. PA/David Cheskin

Although PFIs and NPDs should be more expensive than public financing, since government borrowing is usually cheaper than private, these schemes came with certain advantages. They used to mainly be “off balance sheet” – in other words, the cost of building the project was not added to the public sector accounts. This meant a council could fund a new school without appearing to borrow much, a great way of making public accounts look healthier, particularly given the huge backlog of poorly maintained public infrastructure and schools in the 1990s to 2000s.

This benefit was severely constrained by new international accounting standards a few years ago, but there are arguably others. According to the Treasury, PFIs can make it possible to provide public services more efficiently and effectively. [You get]([https://books.google.co.uk/books?id=CvSoCgAAQBAJ&pg=PT470&lpg=PT470&dq=McQuaid,+R.+\(2010\)+Theory+of+Organisational+Partnerships+-+partnership+advantages,+disadvantages+and+success+factors',+in:+S.P.+Osborne+\(ed.\)+The+New+Public+Governance:+Emerging+perspectives+on+the+theory+and+practice+of+public+governance&source=bl&ots=QT676MsSGR&sig=qZBeZwoy8lnGYrtECmfsdI%20partnership%20advantages%2C%20disadvantages%20and%20success%20factors'%2C%20in%3A%20S.P.%20Osborne%20\(ed.\)%20The%20New%20Public%20Governance%3A9](https://books.google.co.uk/books?id=CvSoCgAAQBAJ&pg=PT470&lpg=PT470&dq=McQuaid,+R.+(2010)+Theory+of+Organisational+Partnerships+-+partnership+advantages,+disadvantages+and+success+factors',+in:+S.P.+Osborne+(ed.)+The+New+Public+Governance:+Emerging+perspectives+on+the+theory+and+practice+of+public+governance&source=bl&ots=QT676MsSGR&sig=qZBeZwoy8lnGYrtECmfsdI%20partnership%20advantages%2C%20disadvantages%20and%20success%20factors'%2C%20in%3A%20S.P.%20Osborne%20(ed.)%20The%20New%20Public%20Governance%3A9))

(2010) “Theory of Organisational Partnerships –

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access to the innovations that have been developed in the private sector; you develop more effective incentives for each party; and you spread risk more appropriately than in traditional public financing. This can in theory mean better value for money for the public sector despite the high premiums.

Short-termism

No doubt many PFIs provide good premises for important public services, but we have sometimes ended up with poorly executed schemes motivated more by short-term financial imperatives and not long-term quality or value for money. This appears to include many early schemes such as the Skye bridge, train leasing and many hospitals.

Lack of transparency is another common criticism, with schemes using grounds of commercial confidentiality to keep details hidden. And there have been PFI contracts where buildings may be structurally designed to last at least 50 years, but the contractor has only used fittings that would last for the duration of the 25-year contract. This can reduce the quality and mean major expenses for the authority after the contract has ended.



Skye bridge was an early PFI contract. Design Ag, CC BY-SA

So what of Edinburgh? Surveys are being carried out on all 17 schools and everyone is waiting to hear the outcome – several more of the schools are showing serious defects while others are expected to reopen in the coming days. Edinburgh Schools Partnership has called the standard of construction “completely unacceptable”. It is footing the bill for investigating and resolving the issues, while Galliford Try, whose Miller Construction subsidiary was the original building contractor, said it supports the closures ahead of more information becoming available.

There is much that remains unclear – not least whether the problem is poor workmanship or choice of construction materials or inadequate building control standards. A key question may be whether the buildings were designed adequately and for the level of wind that caused the structural problems at Oxfords.

The council and the PFI consortium do seem to have taken the right short-term decisions to be open about the issue and about who is responsible, and to focus on providing alternatives for the pupils. What still needs to be considered will be the long-term implications for both construction standards and PFIs – both in Edinburgh and across the UK. Perhaps the inevitable inquiry will also help lead to a rethink on whether short-term cost savings are really a sensible way to build for the future.