

# Scottish Government submission of 9 June 2023

## PE2004/D: Abolish the use of Public Private Partnerships in Scotland

The Scottish Government welcomes the position paper set out by Jubilee Scotland and their response to our initial Committee letter. The petitioner response references the Audit Scotland recommendations that were set out in their 2020 report 'Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models'. The Scottish Government has responded to these recommendations as outlined in the former Deputy First Ministers' [reply to a Parliamentary Question](#). Responses to the Jubilee Scotland recommendations are provided below.

### Jubilee Scotland Recommendation (JSR) 1. Let public well-being drive Scottish infrastructure investment.

The Scottish Government agrees that public well-being should drive Scottish infrastructure investment. The purpose of our investment in a capital infrastructure project is to deliver a built asset to meet a defined public service need. The objective of such investment is to meet the defined public service need by delivering value for money to the taxpayer. The method for making such investments is to award a public contract which complies with relevant procurement legislation and policy.

Our procurement policy includes a Sustainable Procurement Duty which requires that we procure in a way which is: Good for business and employees; Good for society; Good for places and communities; and, Open and connected. Therefore, the well-being of the people of Scotland is at the heart of Scottish Government's infrastructure investment policy and procurement policy.

### JSR 2. Do not allow the Mutual Investment Model (MIM) to be put into active use in Scotland.

The use of private finance has allowed for the delivery of much needed schools, NHS facilities and other key infrastructure that would otherwise have not happened. While we acknowledge that conventional capital borrowing is preferable, we can't exclude using new or alternative tools

(such as the MIM) from our financing options due to our restricted borrowing powers and constrained capital allocation. The Scottish Government will be engaging with Audit Scotland when developing clear governance and decision-making processes in preparation for any future project being procured using the Mutual Investment Model.

We consider a range of approaches when deciding how to finance projects to ensure value for money. This includes capital grant, capital borrowing, financial transactions, MIM and other forms of finance. MIM can enable additionality of investment over the current public sector capital and borrowing sources and before being selected, analysis of building/facilities management markets and funding markets is undertaken to ensure this route is economically viable.

### JSR 3. Act on the recommendations from Audit Scotland's review of the PPP scheme.

The Scottish Government welcomed Audit Scotland's report reviewing the Non-Profit Distributing (NPD) and hub models. Although both models have now ceased to be used to finance new infrastructure, the report provides useful lessons which have already been implemented through successor schemes. The use of private finance allowed the delivery of new infrastructure such as schools, new NHS facilities, new colleges and other key infrastructure. As the report highlights, the £3.3bn of additional investment in Scotland's infrastructure would not otherwise have happened. Please see the former Deputy First Minister's [reply to a Parliamentary Question](#) which details the Scottish Government's responses to each of the Audit Scotland recommendations.

### JSR 4. Take the best parts of the LEIP scheme and expand these across sectors.

The Scottish Government continues to work to improve the financing models we have at our disposal. The Learning Estate Investment Programme's (LEIP) outcomes-based funding model was designed by Scottish Government, Local Government and the Scottish Futures Trust (SFT) to support the implementation of the Learning Estate Strategy. This was based on our Growth Accelerator Model, another outcomes-based funding model, used in a variety of sectors, and which has been used to finance several infrastructure projects including the Edinburgh St James Quarter and Dundee's waterfront.

JSR 5. Let the planned Infrastructure Company play a key role in moving towards public ownership of infrastructure and make it a centre of local government support.

The Scottish Government continues to work to improve the way infrastructure decisions are made, and to harness and best deploy existing public sector expertise in infrastructure delivery as part of wider work to deliver the Infrastructure Commission for Scotland's recommendations. As set out in the Infrastructure Investment Plan progress report 2021 to 2022, published on 15 June 2022, due to the recommendations set out in the Resource Spending Review regarding public sector reform, the Scottish Government do not expect to set up a new, independent body at this time.

JSR 6. Mandate SNIB to invest in public infrastructure projects.

The Bank has been established to invest in Scottish businesses, projects and communities to deliver positive environmental and social impacts for the people of Scotland. It makes investment decisions independently of Government, but in line with the three strategic missions (Net Zero, Place and People) set for it by Scottish Ministers. All projects in which the Bank invests must contribute to its missions and investments must be made on commercial terms.

Although guided by its missions and the legislation within the Scottish National Investment Bank Act (2020) the Bank operates independently. Therefore, any potential future investment roles or opportunities would be a matter for the Bank to decide.

JSR 7. Rethink the use of prudential borrowing powers and address the budgetary incentives for using PPPs.

The Prudential Code for Capital Finance in Local Authorities is developed and by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Prudential Code requires local authorities to ensure that all capital investment decisions are prudent, affordable and sustainable and to consider the revenue costs of servicing external debt in developing capital plans.

The transparent reporting of all current and future financing costs will be considered as part of the Capital Accounting Review. This is a comprehensive review of capital financing and accounting arrangements for local authorities, utilising the expertise of CIPFA, LASAAC, COSLA,

Audit Scotland and local authority Directors of Finance to develop improvements to capital financing and accounting by local authorities.

JSR 8. Rebuild public sector capability and capacity for managing infrastructure.

Assessing the future needs of places, in collaboration with communities, is a core part of the local development plan process and infrastructure needs should be considered early in the process as part of an evidence-based approach.

The Scottish Government continue to engage closely with COSLA and Heads of Planning Scotland to understand the pressures faced by the planning service, including skills shortages, and to promote a highly performing system.

Along with other key stakeholders, including Partners in Planning, the Scottish Government will develop a skills strategy which will identify the specialist skills required to address the requirements of National Planning Framework 4, and the wider skills required to ensure there are planners with the expertise to deliver on our ambitions for Scotland.

JSR 9. Let net zero be at the heart of Scottish infrastructure investment.

The Scottish Government agrees that Net Zero should be at the heart of Scottish infrastructure investment, that is why the Infrastructure Investment Plan (IIP) sets enabling the transition to net-zero emissions and environmental sustainability at the forefront of our investment priorities for the period to 2025-26. This commitment was further highlighted in the Policy Prospectus, which outlines that we will prioritise capital spend to move us towards achieving net zero and providing high-quality public infrastructure and services across Scotland, within the budget available.