

Briefing for the Citizen Participation and Public Petitions Committee on petition [PE2004](#): Abolish the use of Public Private Partnerships in Scotland, lodged by Line Kikkenborg Christensen on behalf of Jubilee Scotland

Brief overview of issues raised by the petition

The petitioner is calling on the Scottish Parliament to urge the Scottish Government to abolish the use of Public Private Partnerships (PPPs) and commit to “a new model for financing and managing public infrastructure in Scotland which has safety, quality, value for money and accountability to the taxpayer at its heart.”

What are PPPs?

Since the 1990s, public-private partnership (PPP) models have been used across the UK to finance infrastructure investment, including many schools and hospitals. Under these schemes, a private sector consortium provides upfront financing for the infrastructure project and the public sector then pays for the project once completed through regular payments over a period of 25-30 years, which include maintenance and service charges. The project is delivered and assets managed for the duration of the contract by a private company known as a Special Purpose Vehicle (SPV).

The UK government’s Private Finance Initiative (PFI) was the first major PPP initiative. The PFI model, which was widely used to finance public sector investment in the 1990s, attracted considerable criticism around the profits made by the private sector partners and the costs to the public sector. In response to these criticisms, the Scottish Government developed an alternative PPP model, known as the Non-Profit Distributing (NPD) model which aimed to restrict the profits that could be made by the private sector through these arrangements.

Between them, [PFI and NPD have funded over 100 projects in Scotland](#), with a combined capital value of almost £9 billion. This includes 58 school projects and 45 hospitals and other health facilities. [Note that an individual school PPP project can involve multiple school buildings within a single contract.] Details on the annual repayments associated with these projects are published by [HM Treasury \(for PFI projects\)](#) and the [Scottish Government \(for NPD projects\)](#). In 2023-24, repayment charges associated with existing PFI and NPD projects are expected to total £1.4 billion.

[Audit Scotland published a report](#) in January 2020 which looked at the use of privately financed infrastructure investment in Scotland (including the NPD model). This included recommendations for future management of privately financed investment.

Current and planned use of PPPs in Scotland

Changes to public sector accounting rules have affected the classification of PPP projects (such as PFI and NPD). As a result, the Scottish Government had to review this method of financing in order that projects financed in this way can continue to be classified as private sector projects. The classification of infrastructure projects matters because if they are classified as private sector projects, they have no upfront impact on the capital budget. Instead, they are paid for through annual payments from the revenue budget, leaving the capital budget free to spend on other projects.

In recent years, the Scottish Government has proposed introducing a modified version of the NPD model, known as the '[Mutual Investment Model](#)' (MIM). This shares a number of features with NPD but is adjusted so that it meets the requirements for such investment to be treated as private sector investment and therefore paid for out of revenue budgets over a longer timeframe.

The Scottish Futures Trust (SFT), who act as a centre of expertise on infrastructure investment, undertook an [options appraisal of private financing investment models](#) and acknowledged that MIM projects would still be more expensive than projects funded through the capital budget or through borrowing. In its [May 2019 Medium Term Financial Strategy](#), the Scottish Government subsequently stated that “the use of the MIM model will be reserved for central government assets where access to borrowing is more restricted. The intention would be to deploy other levers first, including the use of capital borrowing in line with our fiscal rules and principles.”

There do not appear to be any immediate plans to use revenue financing (which includes PPPs), for funding infrastructure investment. Although the [Scottish Government's May 2022 Medium Term Financial Strategy](#) had identified that revenue financing would be used to support capital investment of £520 million in 2023-24, the more recent [2023-24 Budget](#) published in December 2022 does not make any reference to the use of revenue financing.

Jubilee Scotland proposals

The petitioner represents Jubilee Scotland. Jubilee Scotland published a [report in 2020 on the use of PPPs in Scotland](#). This report argued that PPPs represent poor value for money, result in declining standards and offer poor accountability. The report proposes that the Scottish Government should explore the costs and options for buying back existing PPP contracts and/or nationalising the Special Purpose Vehicles (SPVs) through which PPPs operate.

There have been a few examples of PPP contracts being bought out and returned to the public sector. The costs of such action are unclear and would depend on the conditions built into each individual contract and whether there

are break clauses. There are some examples of PFI contracts being bought out in England (see [NAO](#), p32), and a few examples in Scotland, such as the buy out of the Skye Bridge PFI contract in 2004. The Scottish Government considered in 2009 whether it could terminate the contracts for parking charges in three PFI hospitals in Scotland, but [determined](#) that this would cost “tens of millions” and opted not to pursue this.

Jubilee Scotland propose that PPPs should no longer be used to finance infrastructure projects and instead propose a local-national partnership model. In this model, a Scottish National Investment Company would support local authorities in finding the best solutions for designing, building, financing, operating and managing infrastructure projects. These would be financed through existing channels e.g. capital budgets or local authority borrowing or by allowing the Scottish National Investment Bank (SNIB) to lend to local authorities.

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16 February 2023

The purpose of this briefing is to provide a brief overview of issues raised by the petition. SPICe research specialists are not able to discuss the content of petition briefings with petitioners or other members of the public. However, if you have any comments on any petition briefing you can email us at spice@parliament.scot

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