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AUDIT SCOTLAND

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More clarity needed on financing public infrastructure projects

A £3.3 billion investment programme in Scotland's infrastructure has enabled more public buildings and new roads to be built. But the Scottish Government needs to be clearer about how and when they use privately financed contracts.

Models for investing in public infrastructure, such as roads, schools and hospitals, using private finance have been in place since the 1990s, enabling additional infrastructure investment.

In a new report out today, *Privately financed infrastructure investment*, public sector watchdogs say greater transparency is needed over decision making to show projects represent value for money.

The Scottish Government accepts that using private finance to pay for public buildings is more expensive than other forms of funding but uses this to enable additional infrastructure investment.

Private finance comes at a cost. Over the lifetime of active PFI, NPD and hub contracts, the public sector makes annual payments to cover the cost of financing, building and maintaining the assets, as well as other services the private sector is providing. Currently, assets worth £9 billion are under contract and the Scottish public sector will make payments worth over four times the capital value of the assets built (over £40 billion) with £27 billion still to be paid between now and 2047/48.

Caroline Gardner, Auditor General for Scotland, said: "The Scottish Government has accepted the costs of using these contracts to increase total infrastructure investment. But the impact on future budgets is significant, as is the overall amount of money that will be repaid.

"With the introduction of the Mutual Investment Model, the Scottish Government has an opportunity to be clearer about the additional costs of investment associated with using privately financed contracts for specific projects. This will enable better reporting of how the overall combination of project funding is being used to maximise the benefits of investment across the whole public sector."

Graham Sharp, Chair of the Accounts Commission said: "We've found that local councils have been left with limited options other than to construct new and replacement public buildings through private finance deals. The main consideration for councils has been the affordability of repayments, with little focus on the wider implications of using private finance.

"With a new mechanism for funding Scotland's schools infrastructure, local councils must be fully aware of the benefits and risks of funding the entire construction costs with a mix of capital grants, borrowing powers and other resources."

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Notes to editors

1. There are 80 active PFI contracts, 15 NPD contracts and 41 privately financed contracts via five hubs.

2. Appendix one of our report sets out the difference between PFI and the Non-Profit Distributing model.

3. This audit looked at NPD and privately financed hub projects to determine how effectively they contributed to infrastructure investment across Scotland and represented value for money.

4. Since their introduction, Non-Profit Distributing (NPD) and hub contracts have supported £3.3 billion of additional investment in public assets. A further £5.7 billion of investment is still being paid for under earlier PFI schemes. This has come at a significant cost. Annual payments of £13.1 billion have already been made under these three types of contracts. Between 2019/20 and 2047/48, a further £27.0 billion is due to be paid.

5. Audit Scotland has prepared this report for the Auditor General for Scotland and the Accounts Commission. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

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- The Accounts Commission is the public spending watchdog for local government. It holds councils and various joint boards and committees in Scotland to account and help them improve. It operates impartially and independently of councils and of the Scottish Government, and meets and reports in public
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