Policy & Information team

Briefing on ... Scottish Futures Trust

An alternative to PFI?

Contacts list:

Dave Watson
d.watson@unison.co.uk

@P&I Team
14 West Campbell Street
GLASGOW
G2 6RX

Tel: 0870 7777 006
Fax: 0141 221 8953

Introduction

The Scottish Government has published a consultation paper on the role of a Scottish Futures Trust (SFT) in infrastructure investment. It is being promoted as an alternative to PFI or at least what is now being described as 'traditional' or 'standard' PFI. This briefing outlines the proposals and our initial response.

Background

In August 2006 the SNP published proposals for a Scottish Futures Trust. This was essentially a means of raising public finance to fund public infrastructure as an alternative to the costly PFI schemes that the SNP and UNISON campaigned against. UNISON welcomed the analysis of the costs of PFI but doubted that a future Scottish Government would have the borrowing and tax powers to implement the plan.

The new Government proposals for a SFT are in both rhetoric and substance far removed from the 2006 SNP plan. As the analysis by The Herald Economics Editor puts it "*How times change. Now in power, the SNP minority government has just told us how it plans to proceed with its futures trust pledge. And the picture that emerges from its consultation bears little resemblance to what was proposed 16 months earlier…. So what is it? A renaissance of the civic vision of 50 or 100 years ago, as Alex Salmond first had us believe? Or PFI-lite, paying private lenders their expected return..* ".

The consultation paper certainly excludes the trenchant criticism of PFI in the SNP paper. Instead it describes the constraints on the Government including the lack of borrowing powers, UK fiscal policies and new International Financial Reporting Standards that makes it more difficult to secure off-balance sheet treatment. It goes further with a welcome for "*the involvement of the private sector in infrastructure investment*". This implies more of an ideological shift than simply a pragmatic solution.

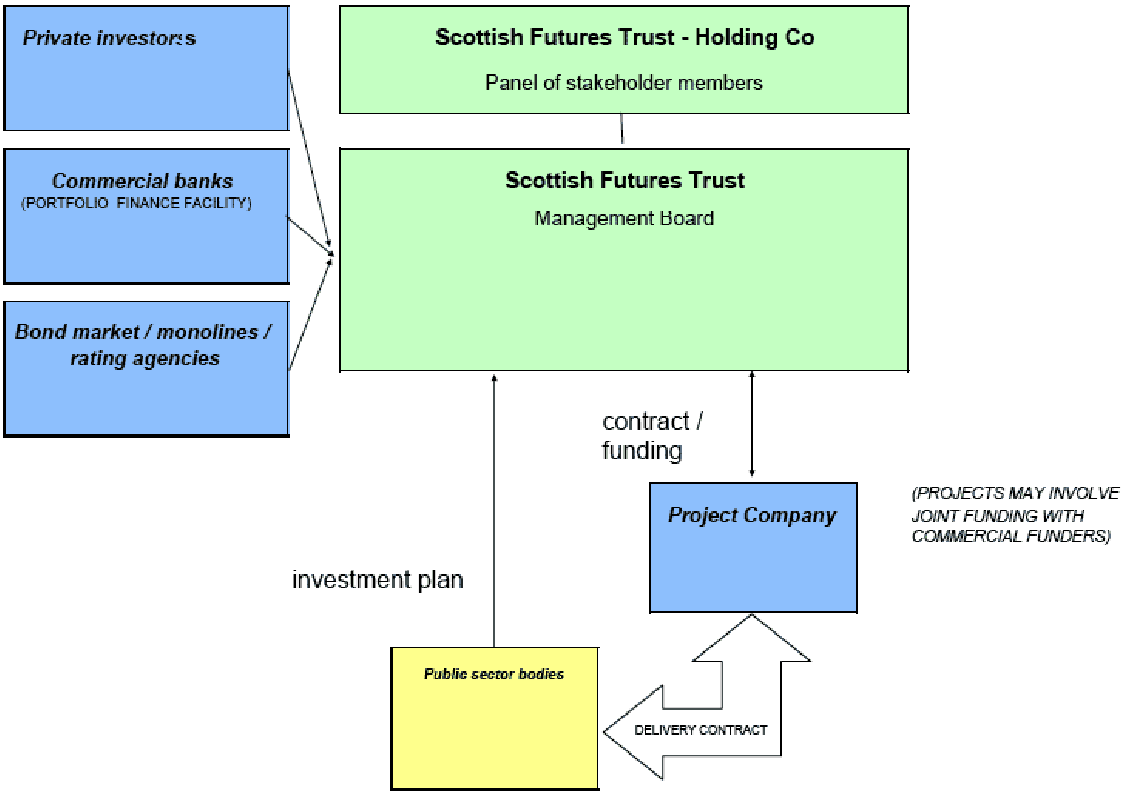
In what is described as the 'development path', existing PFI projects will continue and new ones will use the Non-Profit Distributing (NPD) model. What is now called 'standard PFI' will only be used where the risks involved in a project are exceptionally high. The paper says nothing about staff transfer including facilities management services.

Scottish Futures Trust

The SFT is expected to be a private limited company run on non-profit distributing principles. Membership of the company will "*be representative of the Scottish public interest*". (see over for structure). The SFT will operate across the public sector including housing which was not previously been part of PFI plans in Scotland.

Funds will come from bonds but also from commercial banks and private investors. The proposed structure is essentially the same as current PFI schemes with the SFT vehicle designing, building, financing, operating, managing and owning the facilities created. Public authorities would pay a charge to the SFT for using the facilities as they do with current PFI schemes. It is claimed that the SFT will through aggregation of demand provide cheaper private finance and other financial services.

Structure of Scottish Futures Trust



Initial UNISON Response

Our initial response is based on our long standing opposition to the wasteful use of private finance to fund public infrastructure. We have also been critical of so called non-profit distributing models because they retain the essential elements of PFI schemes.

Non Profit Distribution models retain higher borrowing costs, private profit is still taken out of public services at the contractor level and the so-called risk transfer analysis still apply. This results in the same profiteering and inflexibility inherent in PFI. We are sceptical that a private company such as the proposed Scottish Futures Trust can have a genuine public interest ethos. It may not take a profit, but the banks and the private firms it contracts to run our services certainly will.

UNISON has campaigned for many years against PFI and PPP methods of financing public services, and has already suggested immediate and effective steps that the Government could take, were it to be serious about moving away from PFI. These are set out in our recent publication "*At What Cost?*" that also addresses the issue of Scottish Government powers. A review could be carried out of existing contracts, 'buying them out', if this benefits the public purse. No new PPP contracts should be approved, including all projects in the planning phase. Scottish Government grants should be offered for new capital projects irrespective of the method of procurement. Health boards should be given prudential borrowing powers, and any new procurement arrangements should ensure that staff are excluded from transfer.

Further Information

The consultation can be viewed at http://www.scotland.gov.uk/Publications/2007/12/19093017/0
UNISON evidence to the current Scottish Parliament Finance Committee inquiry and our At What Cost? report. www.unison-scotland.org.uk/response/capitalinvest.html and www.unison-scotland.org.uk/comms/atwhatcostoct07.pdf. Branch comments on the consultation paper should be sent to Dave Watson by 1 March 2008.

UNISON Scotland