

**PPP/PFI**

**BUDGET  
CUTS**

**PROTECTING  
LOCAL  
SERVICES**

**COMBATING AUSTERITY**  
**Implementation report**

Councils and health boards  
could do much better

A UNISON Scotland Report  
July 2017

## Contents

<b>Introduction</b>	<b>3</b>
<b>Background</b>	<b>4</b>
<b>Executive summary</b>	<b>5</b>
<b>Combating austerity proposals</b>	<b>7</b>
<b>Councils</b>	
<b>Question 1</b>	<b>7</b>
<b>Question 2</b>	<b>11</b>
<b>Question 3</b>	<b>12</b>
<b>Question 4</b>	<b>13</b>
<b>Question 5</b>	<b>14</b>
<b>Question 6</b>	<b>15</b>
<b>Question 7</b>	<b>16</b>
<b>Question 8</b>	<b>16</b>
<b>Question 9</b>	<b>18</b>
<b>Question 10</b>	<b>19</b>
<b>Question 11</b>	<b>20</b>
<b>Health boards</b>	
<b>Question 1</b>	<b>27</b>
<b>Question 2</b>	<b>29</b>
<b>Question 3</b>	<b>30</b>
<b>Question 4</b>	<b>30</b>
<b>Question 5</b>	<b>30</b>
<b>Conclusions</b>	<b>32</b>
<b>Final recommendations</b>	<b>33</b>
<b>Further information</b>	<b>33</b>
<b>Resources</b>	<b>34</b>

## Introduction

This report aims to help our branches step up UNISON Scotland's ongoing Combating Austerity campaign. It provides a snapshot of what actions councils and health boards have (or have not) been taking over the last three years in the ways we proposed should be used to make savings and help protect vital services and jobs in the face of massive cuts – cuts that remain on the agenda under the new Conservative minority government.

The report examines responses to our Freedom of Information request to councils and health boards, covering work on proposals including rigorously monitoring, restructuring and buying out expensive Public Private Partnership (PPP)/Private Finance Initiative (PFI) contracts, consideration of the use of council bonds, savings from refinancing, electricity generation and other income generating projects.

A very short summary would simply say that councils and health boards could do much better in these areas. We highlight the potential in our executive summary for saving at least £250 million over the next ten years, but Scottish Government action on buying back PPP/PFI contracts offers the prospect of saving billions of pounds.

The election of new councils in May 2017 gives fresh impetus to asking them to look again at our proposals. While we await the UK Autumn Budget for any change to the current financial plans, the Combating Austerity proposals remain key to UNISON Scotland's work to defend and improve public services. Campaigning has helped contribute to winning the argument against austerity. We need to keep going to win change and proper funding for quality services. This report is part of that work.

## Background

UNISON's Combating Austerity campaign involves our members pushing public bodies to take practical steps to help limit the damage<sup>1</sup> caused by the UK Government's massive spending cuts to the important public services that UNISON members work hard to provide. As well as campaigning against the UK budget plans and lobbying the Scottish Government and local councils not to pass on the cuts, we have offered sensible mitigation proposals to help defend services and reduce job losses.

Our initial Combating Austerity report in 2015 signposted a range of measures to help mitigate the 2015-17 Conservative Government's ideological austerity programme. In Scotland, austerity has largely been dumped on local government, which has suffered nine out of ten austerity job cuts.

In February 2016, we published a toolkit for branches with lots of useful resources and a basic checklist of actions. This should be used again now, with the new councils, taking on board lessons from this report and our briefing about cracking down on PPP costs.

Some of the key proposals made by UNISON to help combat austerity include: contract buyouts and/or refinancing of expensive PPP/PFI projects; rigorous monitoring of those that remain; refinancing of council debt to make use of low interest rates; imaginative use of prudential borrowing and bonds; more efficient and creative use of local authority pension funds; income generation such as city energy generation.

Now is the time for branches to build on and ramp up their campaigning work for the people who need and rely on quality public services – all of us - and for our members delivering those services.

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<sup>1</sup> The all too real consequences are being felt across the country in cutbacks and reduced levels and quality of service delivery across so many areas, as highlighted in our series of Damage reports. <http://www.unison-scotland.org/campaigns/public-works/damage/>

## Executive summary

Under current spending plans, Scotland is facing almost £1 billion of further austerity budget cuts by 2020, with a total of nearly £3 billion lost between 2010-11 and 2019-20.

Local government has taken the biggest hit and councils have borne 91% of the 33,000 public service job losses since the end of 2009. A cut of £225 million to council budgets takes place this year. Scotland's NHS budgets are also under immense pressures.

The all too real consequences are being felt across the country in cutbacks and reduced levels and quality of service delivery across so many areas, as highlighted in our series of Damage reports.

UNISON's Combating Austerity campaigning has highlighted ways in which public bodies, including the Scottish government, councils and health boards, can mitigate the worst effects by making savings that don't impact on jobs and services.

### **The election of new councils in May 2017 gives fresh impetus to asking them to look again at our proposals.**

Some of the key proposals made by UNISON include: contract buyouts and/or refinancing of expensive PPP/PFI projects; rigorous monitoring of those that remain; refinancing of council debt to make use of low interest rates; imaginative use of prudential borrowing and bonds; more efficient and creative use of local authority pension funds; income generation such as city energy generation.

This report provides a snapshot of progress to date by examining the responses to a Freedom of Information request to councils and health boards asking what they have (or have not) done in the last three years in the areas of some of our proposals.

On contract monitoring and staffing levels for doing this, we strongly recommend that public bodies establish a clear culture of rigorous monitoring. Considerable sums due to councils should have been paid where contract penalty and related clauses have not been properly adhered to. Reviews/audits of contract monitoring and staffing levels should provide recommendations for lessons to be learned, for enforcing existing penalty and other clauses, for re-negotiating contracts and for future procurement. These should be shared across the public sector.

On restructuring PPP/PFI contracts, figures show major savings can be achieved but much more must be done. Disappointingly, most said they had not done so but examples of the rewards include Glasgow city council saving £360,000 a year in insurance costs following a benchmarking exercise, with other savings being pursued. Highland Council has saved £2.5m over the remaining 20 years of their renegotiated contract.

Most councils said they had not considered buying out PPP/PFI schemes. Others said it was assessed as 'cost-prohibitive'. Dumfries and Galloway and East Lothian did say they were looking into it.

But some councils that wanted to refinance have been refused permission by the Scottish Government. Aberdeen City Council reported having considered buying out the primary funder when they were looking to sell, but the Scottish Government referred the council to the Scottish Futures Trust "who ultimately advised that such a scheme would count against the Scottish Government's Capital Block Allocation and therefore could not be pursued."

We say Ministers must act to ensure the most expensive schemes are bought back. Our original Combating Austerity report referred to calculations that potentially up to £12 billion could be saved. If only one tenth of that were achieved, that would release £1.2billion of public funds. If the Scottish Government has insufficient capital allocations, then they should work in partnership with councils who could use their prudential borrowing powers for this purpose.

Many of these private finance schemes pay interest rates that are much higher than current rates. Of those providing figures, East Renfrewshire said their schools PFI interest rate on borrowing is 7.02%. NHS Lothian said that the Royal Infirmary of Edinburgh PFI rate is 6.58-7.23%. Most said they did not hold the information (i.e. the contractor did) or withheld it, arguing Freedom of Information legislation exemptions. This emphasises the importance of bringing these contracts under FOI law. The public is entitled to know how its money is being spent and whether it is receiving value for money.

## Executive summary

On changing the length of council loans or refinancing loans to bring down costs, again most said they had not done this. However, Edinburgh City council provided an example from a few years ago of a refinancing package that gave it more than £400m of extra borrowing for around the same annual costs.

Councils could clearly do much better as part of overall treasury management work. Examination of the council loan spreadsheets submitted in response to our FOI shows many are paying high interest on loans and have taken out controversial LOBO loans in the past. While some said refinancing is prohibitive because of high early redemption charges, this suggests some previous decision making in this area may have been unwise.

We propose it would be feasible to make savings of £100m over the next ten years through effective assessment of refinancing and restructuring options.

Aberdeen City Council hit the headlines at the end of 2016 in launching a successful £370m bond, the first Scottish council to do so. There is great potential for councils to raise funds, including potentially for lending to health boards to buy out PPP/PFI contracts, as has happened in England.

On revenue generation projects, such as renewable energy schemes, a number of councils gave examples of what they are doing, but few provided figures. Of those that did, Stirling and Fife councils together receive at least £450,000. Again this highlights the potential.

We suggest that a minimum of £250 million could be saved over the next ten years if the right decisions are taken now. Decisions in areas including:

- Rigorously monitoring the delivery of PPP/PFI contracts, restructuring them and, preferably, buying back contracts where it makes sense to do so.
- Restructuring and refinancing loans to take advantage of much lower interest rates than when they were taken out.
- Investing in renewable energy generation, with enormous potential for income generation as well as savings on energy costs.

Our branches will continue to speak out about the damage caused by austerity and to urge employers to adopt measures to mitigate against the worst. This report joins our earlier Combating Austerity resources in providing tools for this work.

## Combating austerity proposals

We sent Freedom of Information requests under the heading 'PPP Schemes (including PFI, NPD and Hub Initiative)' to all 32 councils and the 14 geographical health boards asking what they have done in the last three years in the areas of some of these proposals. We know that our branches have been lobbying for action based on the Combating Austerity proposals.

### Responses to FOI Questions

Dundee, Highland, West Dunbartonshire and Western Isles councils did not respond to the FOI. Orkney said they have no PPP schemes, Shetland were awaiting clarification before replying.

Therefore 26 councils' responses are examined here. (A few did not answer one or more of the questions.)

Borders, Orkney, Shetland and Western Isles health boards responded saying they have no PPP schemes, so ten health board responses are covered here, below the council responses. (Orkney's forthcoming hospital/healthcare facility NPD scheme is due for completion in 2018/19. Financial close was reached with Robertson Group in April 2017.)

The questions we asked all 32 councils, with information about the responses, are below.

**Q1** What measures have you taken to monitor the contract performance of PPP schemes? (We are looking for a description of systems and an approximate indication of client side staffing to undertake contract monitoring).

### OVERVIEW

In our Combating Austerity report, toolkit and ebrief we called for rigorous monitoring of contracts. We highlighted one example of a multiple schools contract where the contractor originally offered £400,000 to the council as part of a sharing mechanism for reductions in insurance premiums. On examination, it was discovered the council was in fact owed £800,000. As we said, similar checks could potentially deliver hundreds of thousands of pounds for public bodies. Q2 looks at what councils have received in penalty charges and similar payments. This question looks first at the systems and staffing levels.

Why are these important? The main reason for monitoring properly is, of course, to ensure the contract is delivering what public money is paying for. Are schools and communities getting quality services? Are schoolchildren and hospital patients being taught and cared for in quality buildings, with excellent facilities ensuring the education and health staff can do their jobs well?

Are buildings safe? Clearly this is a fundamental question even without the scandal that sparked checks on potentially dangerous school buildings around Scotland. Investigations had to be carried out around the country last year following safety issues around the construction of 17 Edinburgh schools in a PPP contract. Faults were found in at least 72 other schools.

When health and safety should come first, but there are failings, it is not unreasonable to wonder what other parts of contracts have not been monitored as closely as they should. In a related example from important health and social care contracts, UNISON Scotland found<sup>2</sup> shockingly few visits to check that service users were receiving contracted levels of care. Responses from councils to our FOI indicated that contract monitoring was limited to returns from the contractor and review meetings with them but very little monitoring of actual service delivery to very often vulnerable, elderly and frail clients.

2 <http://www.unison-scotland.org/library/Bargaining-Briefing-85-social-care.pdf>

We want public service contractors to deliver what we pay for, but we also want to ensure money is not being wasted, either in taxpayers being overcharged or specifications not being met, leading to poorer quality of services. Monitoring should ensure that important penalty clauses are enforced where problems are identified. Or that, as above for example, public bodies actually receive what they are owed in any sharing mechanism for reduced insurance costs, or similar payments.

Most PPP contracts have mechanisms for penalty clauses, with deductions made from the monthly unitary charge payment to the contractor for failings such as e.g. a school being unavailable when it should have been. But as part of that, with these very complex contracts, it is important to stay on top of the routine monitoring systems, with random checks as well as systematic ones.

East Lothian Council, for example, carried out an internal audit on PPP contract monitoring, which was reported to the Audit and Governance Committee in March 2017<sup>3</sup>. This highlighted a number of concerns about issues where the council might not be receiving or was not receiving the proper monies, e.g. stating that arrangements for applying deductions for performance failures by the Contractor needed to be reviewed as in a number of cases deductions were not applied in line with the contract, leading to a risk of failing to recover all amounts due to the council. Also, income due to the council for the use of PPP project facilities had not been received since April 2016, with errors for figures submitted by the contractor for 2015/16.

### RESPONSES:

Detailed information (a description of systems\*) about how they monitor was provided by: Aberdeen City, Aberdeenshire, Angus (re their roads PFI, although no staff numbers were given), Argyll & Bute (but no staff fig provided), Edinburgh, Glasgow, Clackmannanshire, East Dunbartonshire, Falkirk, Inverclyde, Midlothian, North Ayrshire (mentioned random visits), Renfrewshire, South Lanarkshire, Stirling, West Lothian (mentioned ad hoc visits).

Less detailed information was provided by: Dumfries and Galloway, East Ayrshire, East Lothian, East Renfrewshire, Fife, Moray, North Lanarkshire, Perth & Kinross, Scottish Borders, South Ayrshire. They listed for example, regular meetings e.g quarterly, plus e.g. regular inspections and monthly reports and a range of plans and auditing.

Councils who provided an estimate of staff time varied in how they described this. Use of a \* in the table on page 9 and 10 indicates our estimate from their comments where feasible to do this - or that they did not clarify if this was FTE or a post which included monitoring as part of the responsibilities.

### RECOMMENDATION

Branches should ask about systems for contract monitoring and suggest that a review/audit may be appropriate, particularly where staff numbers seem low for the task.

A review should look at previous issues raised by monitoring and reassurance that all failings have been resolved with improvement recommendations implemented. It should analyse penalties and other payments received to ensure full compliance. See Q2 It should recommend appropriate staffing.

Public bodies should establish a clear culture of rigorous monitoring of contracts. As well as ensuring fulfilment of contract obligations and expectations, where contractors know their work will be 'under the microscope', they may be more open to re-negotiating a contract or discussing buyout options. See Q3 and 4.

3 [http://www.eastlothian.gov.uk/download/meetings/id/18595/08\\_internal\\_audit\\_report-ppp\\_contract\\_monitoring](http://www.eastlothian.gov.uk/download/meetings/id/18595/08_internal_audit_report-ppp_contract_monitoring)

Council	No. of contract monitoring staff	Details
Aberdeen City	2+FTE*	Facilities contracts team, FM Contracts Manager & Adviser + additional input from other teams incl Facilities Management & Education Asset Management
Aberdeenshire	2.2 FTE	One officer, assistant & Clerical support re the three contracts (PFI/PPP/hub)
Angus		Details provided of how monitor but no staff info, FTE or similar given
Argyll and Bute		Details provided of how monitor but no FTE or similar given
Edinburgh City	8 FTE*	Two Operational Estate Contract Officers (previously PPP Contracts Monitoring Officers) Vacant OECManager role being filled) Food/Res Waste: Part of job of two contract managers. IT: Commercial team in IT has 3 FTEs.
Clackmannanshire	3 FTE*	5 Posts. Unclear how much time of each. Asset Manager, Quantity Surveyor, Quality Control Officer, Clerk of Works, School Liaison Officer. (3 FTE of these five posts, which is possibly an overestimate).
Dumfries and Galloway	2 FTE*	Two staff monitor as part of their role
Dundee City		No response to FOI
East Ayrshire		No info on staffing
East Dunbartonshire	2 FTE*	Two – no details re proportion of post
East Lothian	0.75 FTE	A number of staff have, among their responsibilities, remit for managing and monitoring operational services performance of the PPP contract, incl staff fr Finance, Legal & Property teams. One PPP Projects Officer (0.5 FTE) Total estimate approx 0.75 FTE.
East Renfrewshire	2+ FTE*	Compliance Officer monitors day to day ops. Business Support Officer (Accountancy) monitors PFI/PPP performance as reported through helpdesk. Reps from Property, Education & Accountancy attend regular project liaison meetings on the schools PFI and PPP.
Falkirk	1 FTE	monitors the contract with Class 98 & Falkirk Schools Gateway Ltd
Fife	2 FTE	Dedicated PPP compliance team of two officers.

\* in the table on page 9 and 10 indicates our estimate from their comments where feasible to do this - or that they did not clarify if this was FTE or a post which included monitoring as part of the responsibilities.

Glasgow City	8	ACCESS PPP monitoring team 5FTE full time on this. Education Business Managers 3FTE 80% of time on this. Education Business Support 1 30% Finance/Legal Support 2 5%
Highland		No response to FOI
Inverclyde	2.5 FTE*	No dedicated compliance team. Range of staff in Legal & Property Service incl Property Services Manager, Finance Service, Senior Architect (school estate), Quality Improvement Officer (school estate), Property Maintenance Officer (school estate).
Midlothian	2 FTE*	Both PPP contracts managed by central contract management team: PPP Service Manager, Monitoring & Admin Officer. Also expertise provided on adhoc basis frm Finance Services, Legal Services & Head of Property & Facilities Management.
Moray	1.5 FTE*	Two staff spend part of their time monitoring the contract.
Comhairle nan Eilean Siar (Western Isles)		No response to FOI
North Ayrshire	2+FTE	Two full time officers and a manager who retains strategic responsibility
North Lanarkshire	2+	Two staff whose core role is to monitor and review PPP contract performance. Ad hoc use of staff from Legal, Corporate Finance, Design etc.
Orkney Islands		No PPP schemes
Perth and Kinross		2.75 Service desk: 0.5 Contracts & Projects Manager, 1 FT Contract Monitoring & Admin officer, 1 - .75 Contract Monitoring Officer, 1 - .50 Admin
Renfrewshire	3 FTE*	Contract monitoring & compliance team: Senior manager & two dedicated monitoring officers
Scottish Borders	0.25 FTE	
Shetland Islands		Council waiting for clarification before responding.
South Ayrshire		Team. (Imposs to guesstimate.) Contract monitored by Property & PPP section, within Property & Risk. No discrete team.
South Lanarkshire		Team. No staffing details given.
Stirling		Staff time details not held
West Dunbartonshire		No response to FOI
West Lothian	1.5 FTE*	One full time PPP monitoring officer who can call on additional support as necessary e.g. Finance, Legal, the Energy Manager, Compliance Team etc. Also part-time auditor to review the Cleaning Service.

\* in the table on page 9 and 10 indicates our estimate from their comments where feasible to do this - or that they did not clarify if this was FTE or a post which included monitoring as part of the responsibilities.

## Q2 What penalty charges or other payments have you recovered? From which scheme and amount received.

### OVERVIEW

This survey shows a total of nearly £6m received by councils - and nearly £1.8m for health boards - in the last three years. The figures were not always given by year, but just as a total. These are not insignificant sums, particularly given current financial pressures on public money. Some PPP schemes had not had any penalty charges or other payments applied/recovered. This could of course mean the contract is running very well. However, it is obviously worth all councils and health boards checking closely, with a view to addressing ways in which they may be short-changed and ensuring this does not happen.

The responses show £5,869,683 in penalties and insurance risk reductions and a range of other refunds/deductions from the unitary charge for a variety of service failings on areas including availability and energy. Some figures were for the last three full years, some for two, plus about half of 2016/17. One council, Midlothian, withheld the information under Section 36 (2) of the Freedom of Information (Scotland) Act, arguing to reveal it would be a breach of confidence. Yet most answered, some without giving detail of the figures. Some examples of responses (totals in table):

- Falkirk: "For the Class 98 contract, the Council receives a contribution from the contractor towards repairs caused by vandalism – 2015/16 - £31,000, 2014/15 - £30,000, 2013/14 - £30,000. Contract clauses within the Falkirk Gateway Contract for areas such as energy, insurance and availability performance have seen the following amounts refunded to the Council over the last three years – 2015/16 - £0.331m, 2014/15 - £0.351m, 2013/14, £0.415m."
- North Ayrshire's figures doubled each year: 2013/14 - £80,309, 2014/15 - £159,831, 2015/16 - £321,994.
- South Lanarkshire said they had no situation where a PPP secondary school had been completely closed for one day or more, so no penalties of this nature were applied.
- West Lothian gave figures of £69,637 for their PPP1 contract and zero for PPP2.

### RECOMMENDATION

Branches should ask for an analysis of the details of penalties and other sums recovered, as part of a review of contract monitoring. See Q1.

The review should also provide recommendations for lessons to be learned, for penalty and other clauses, when re-negotiating contracts (See Q3) and for future procurement.

Council	Penalty Charges etc
Aberdeen	£207,540
Aberdeenshire	£310,931
Angus	£268,201
City of Edinburgh	£40,978
City of Glasgow	£187,185
Clackmannanshire	£151,635
Dumfries and Galloway	no details
Dundee City	No response
East Ayrshire	£163,989
East Dunbartonshire	£463,914
East Lothian	£2,9873
East Renfrewshire	£316,280
Falkirk	£1,188,000
Fife	£180,377
Highland	No response
Inverclyde	£31,074

Council	Penalty Charges etc
Midlothian	s362 FIOSA breach
Moray	£16,000
North Ayrshire	£562,134
North Lanarkshire	£76,922
Orkney	No PPPs
Perth Kinross	£149,844
Renfrewshire	£32,971
Scottish Borders	£122,079
Shetland	Waiting for clarification
South Ayrshire	£138,000
South Lanarkshire	No school closed for one day or more
Stirling	£857,697
West Dunbartonshire	No response
West Lothian	£69,637
Western Isles	No response
<b>Total</b>	<b>£5,869,683</b>

## Q3 Has your organisation restructured any of its PPP contracts? If so, what savings has this delivered to your organisation? From which scheme and amount received.

### OVERVIEW

It is widely acknowledged that PPP/PFI schemes are more expensive than conventional funding. We argue that NPD and Hub (both types of PPP) are too. UNISON has proposed restructuring where buyouts are not feasible and financially worthwhile, although our point has always been that with a level playing field, PPP/PFI contracts would not have been chosen, and that it would be feasible to buy them out if the political will was there.

The Scottish Futures Trust (SFT) has done some work with a range of public bodies, including the NHS and councils. NHS Scotland is now working centrally with health boards through the PPP Special Support Team (SST) to assess options for savings on their contracts (£2.25m recurring in 2014-16 achieved, with opportunities for £1.8-£2m of savings projected for 2016-17<sup>4</sup>). Councils do not seem to have done as much as they could in looking at restructuring or buying out contracts, despite potential multi-million pound savings in some cases – as the experience of Highland Council shows.

Yet as long ago as 2011, the SFT Review of Operational PPP Projects noted that reviewing aspects of the contract such as insurance premium risk sharing etc., along with “more robust management of contractual performance standards” (Q1 above) could save up to £5.5 million annually. Given the lack of the level playing field between PPP/PFI and conventional funding, this was seen as the main option for savings. The SFT said: “There are a number of opportunities to make savings – on a widespread basis this is primarily through improved contract management.”<sup>5</sup>

It is therefore disappointing that most answered no to this question, or said not in the last three years. North Lanarkshire, for example, said: “There has been no significant restructure of Council PPP contracts.”

(Inverclyde said no, without mentioning that they are working on this. There have been discussions on making savings by reviewing the 30 year schools PPP contract, entered into in 2008. We understand there is the potential for more than £100,000 annual savings as well as one-off savings in some areas – including potentially up to £1m in financing changes. CIPFA (The Chartered Institute of Public Finance & Accountancy) was appointed in April 2016 to advise the council. An update report is due in summer 2017.<sup>6</sup>)

Aberdeenshire said they are working with PPP partners to identify which levels of the service level agreement could deliver savings by amending the scope or frequency of service. Nothing had yet been agreed.

East Renfrewshire said that the roads PFI Road Usage payment has been renegotiated but the savings were not calculated as the “change related to the methodology of future forecasting.”

Glasgow said that they “continually review to maximise benefit and efficiencies”. They have managed a £360,000 per year reduction in insurance costs, following a benchmarking exercise. Work is still ongoing to identify the value of realisable savings to be achieved from reducing utility costs, including LED lighting and temperature control initiatives.

Perth & Kinross said they had reduced/reviewed operating hours, had saved £32,000 on the unitary charge and provided “greater flexibility of usage” on the Axiom Education (Perth & Kinross) Ltd contract.

TOTAL savings reported £392,000 annual.

### RECOMMENDATION

There are clear financial benefits to having a tough renegotiation of contracts. All public bodies should be looking to buy out PPPs where there are savings to be made. The Scottish Government should support this. However, where a buyout is not feasible, renegotiation should be vigorously pursued, particularly with older contracts.

4 <http://www.sharedservices.scot.nhs.uk/media/1371/2016-08-25-sfg-shared-services-minutes-v04.pdf>

5 [http://www.scottishfuturestrust.org.uk/files/publications/Review\\_of\\_Operational\\_PPP\\_Projects\\_June\\_2011.pdf](http://www.scottishfuturestrust.org.uk/files/publications/Review_of_Operational_PPP_Projects_June_2011.pdf)

6 <https://www.inverclyde.gov.uk/meetings/meeting/1899>

### Council saves £2.5m through contract renegotiation

Highland did not respond to our FOI. However, it is worth noting that in January 2016 the Scottish Government refused Highland’s request to borrow to buy out its £160 million contracts for the building and upkeep of 15 schools. Council Finance Director Derek Yuill told the West Highland Free Press that it had not been allowed because the borrowing would count towards Scottish Government borrowing limits set by the UK Treasury. The council has since negotiated a restructuring of the contract, which it says will save £100,000 per year over the remaining 20 years and £200,000 on insurance. It also received a one-off £320,000 payment this year. A total of around £2.5 million.

<http://www.whfp.com/2016/01/13/council-barred-from-buying-out-ppp-contract/>  
<https://www.mearsgroup.co.uk/significant-savings-highlands-schools-deal/>  
[www.highland.gov.uk/download/meetings/id/71745/item\\_5\\_revenue\\_budget](http://www.highland.gov.uk/download/meetings/id/71745/item_5_revenue_budget)

## Q4 Have you considered buying out any PPP schemes? If so, what was the outcome of that consideration?

### OVERVIEW

It is a disgrace that the level playing field we have always argued for since PFI was first introduced still does not exist and councils are locked into hugely expensive contracts. Buyouts of some schemes may be the best approach and we call again on the Scottish Government to take a more strategic approach, looking, with the Scottish Futures Trust, at a major programme of buying back contracts where it makes financial sense. Our original Combating Austerity report highlighted calculations that potentially up to £12 billion could be saved. Government gilt market borrowing rates are lower now than when that figure was calculated.

Not only could buyouts of their own projects, using prudential borrowing powers, potentially save councils considerable sums. They could also raise income by lending to health boards to finance buying out NHS PPP/PFI contracts. This was done by Northumberland Council, which borrowed from the Public Works Loan Board (PWL), lending to Northumbria Healthcare Foundation NHS Trust to buy back its PFI contract at Hexham General Hospital, saving £67 million.

A number of Scottish PPP/PFI contracts failings, buyouts and terminations were highlighted in the February 2017 report from the European Services Strategy unit, which recommended renegotiations and buyouts and flagged up proposals that Special Purpose Vehicles (companies that operate PPP/PFI projects) could be nationalised. It also concluded: “The PFI/PPP programme should be terminated and replaced by increased public investment, which would significantly reduce the cost of public infrastructure.”<sup>7</sup>

Again, it is extremely disappointing that most councils said they had not considered buying out PPP schemes: Angus, Argyll & Bute, City of Edinburgh, Clackmannanshire, East Dunbartonshire, East Renfrewshire, Falkirk, Fife, Inverclyde, Midlothian, Moray, North Ayrshire, Perth & Kinross, Renfrewshire, South Ayrshire, South Lanarkshire, Stirling, West Lothian.

However, Aberdeen City and North Lanarkshire stressed the reason: AC- “Yes, consideration was given to buying out the debt of the primary funder when they were looking to sell. On contacting the Scottish Government, the Council was referred to the Scottish Futures Trust (SFT) who ultimately advised that such a scheme would count against the Scottish Government’s Capital Block Allocation and therefore could not be pursued.” NL - The current legislative and funding environment does not support the buyout of Council PPP schemes.” The response noted that they “would consider any proposals which offer Best Value, and can be delivered within parameters.”

Glasgow said it was assessed as “cost-prohibitive”. Aberdeenshire said: “As part of overall review of Council’s debt position we have discussed buying out of PPP schemes. Outcome was that the potential break terms would not be advantageous to the Council but that we would monitor the position on a regular basis.” Scottish Borders said it was “not currently cost effective.” East Ayrshire said it was considered but was “not viable”.

7 <http://www.european-services-strategy.org.uk/publications/essu-research-reports/pfipp-buyouts-bailouts-terminations-and-major/pfi-ppp-buyouts-bailouts-and-terminations.pdf>

Dumfries & Galloway and East Lothian were looking into it. D&G said: "Considerations are ongoing on the possibility of buying out the schools PPP contract." EL said: "In accordance with a request made by the Audit and Governance Committee, some exploratory work is being undertaken to assess any potential opportunity for review of the Council's existing contractual commitments under the PPP. The Committee will be kept up to date with any developments as they become known." Minutes since show that the Council's Head of Resources attended a December 2016 meeting with CIPFA and other council finance directors to discuss PFI contracts. The council would be getting a 'health check' on all PFI contracts over the next few months to "ensure they were getting best value."

**RECOMMENDATION**

Ideally, the Scottish Government should be taking the lead on supporting buyouts.

However, in the absence of supportive action from the Scottish Government, all councils should have an up to date assessment of whether buying out schemes makes sense. Q5 is very relevant to this, as the most expensive schemes will have the highest interest rates.

**Q5** Please list the interest rate the PPP provider is paying on borrowing to finance PPP schemes you are involved in? This includes joint schemes with health boards/councils.

**OVERVIEW**

Five councils provided interest rates, but several used exemptions under the Freedom of Information (Scotland) Act (FOISA) to withhold the information, with most, 13, saying it was not held. As too often happens with PPP/PFI requests for information, some references to FOISA in the responses were inaccurate and/or did not comply with the legislation. It is also likely we could have successfully challenged at least some of the decisions to withhold information, particularly given that some councils did provide the interest rates. We did not do that on this occasion, but councils should be much more professional in dealing with Freedom of Information requests like this and much more transparent, in line with the intent of the legislation. This is something we will be raising with the Scottish Information Commissioner if responses continue to be so poorly dealt with.

Aberdeen City left this question out of their response. Those providing figures were:

Angus	6.16% (A92) 4.547% (Forfar/Carnoustie schools scheme)
East Renfrewshire	7.02% Schools PFI (as per Financial Model) 4.97% Schools PPP (as per FM) 4.65% Roads PFI
Moray	4.21%
Scottish Borders	2.6% Index Link Bond (3 High Schools)
Stirling	1.4% is current annual indexation based on RPI per Jan effective April each year. Stirling PPP schools. 1.9% is current Balfron PFI schools contract annual indexation, based on RPI per July, effective Aug each year.

South Lanarkshire said that "100% of the unitary charge is subject to indexation which is based on the Retail Price Index (RPI). The RPI for the unitary charge is based on the January RPI figure, which is released by the UK government in February and is applied in April. This figure is applied to all monthly payments for the rest of that financial year."

Argyll & Bute, East Lothian, North Ayrshire, North Lanarkshire, Perth & Kinross, South Ayrshire and West Lothian councils said they did not hold the information, citing Section 17 of FOISA (with some saying the PPP Provider holds the information). Aberdeenshire said they did not hold it, without referencing the exemption, as did: Glasgow, Clackmannanshire (who also said it "has no impact on the contract for the council"), East Dunbartonshire (who said

"the costs of borrowing for the PPP provider to finance the schemes, is not something that EDC would be aware of or able to provide"), Falkirk ("This information relates to a third party commercial company and is not available under the Freedom of Information Act. If you wish to request this information you will need to contact Class 98 or Falkirk Schools Gateway directly"), and Fife.

Edinburgh cited Section 33 (1)(b) of FOISA, arguing there would be substantial prejudice to the commercial interests of the PPP contractors and the council. In considering the public interest test, it concluded that disclosure would cause substantial harm to "both the council seeing to obtain best value for the citizens of Edinburgh and the provider." Others citing 33 (1)(b), but without reference to the required public interest test, were: Dumfries & Galloway and Inverclyde (This information is not readily available and may be contained within the financial close financial model. Previous FOI requests involving requests for data within the financial model been refused under Section 33 (1) (b) of the Act, commercial interests and the economy, as detailed in the refusal notice. – NB: no refusal notice provided.

East Ayrshire cited Regulation 10 (5)(e) of the Environmental Regulations, arguing the information is commercially sensitive and "cannot be provided", although they did not detail their assessment of the public interest test. Midlothian cited Section 36(2) re breach of confidence.

**RECOMMENDATION**

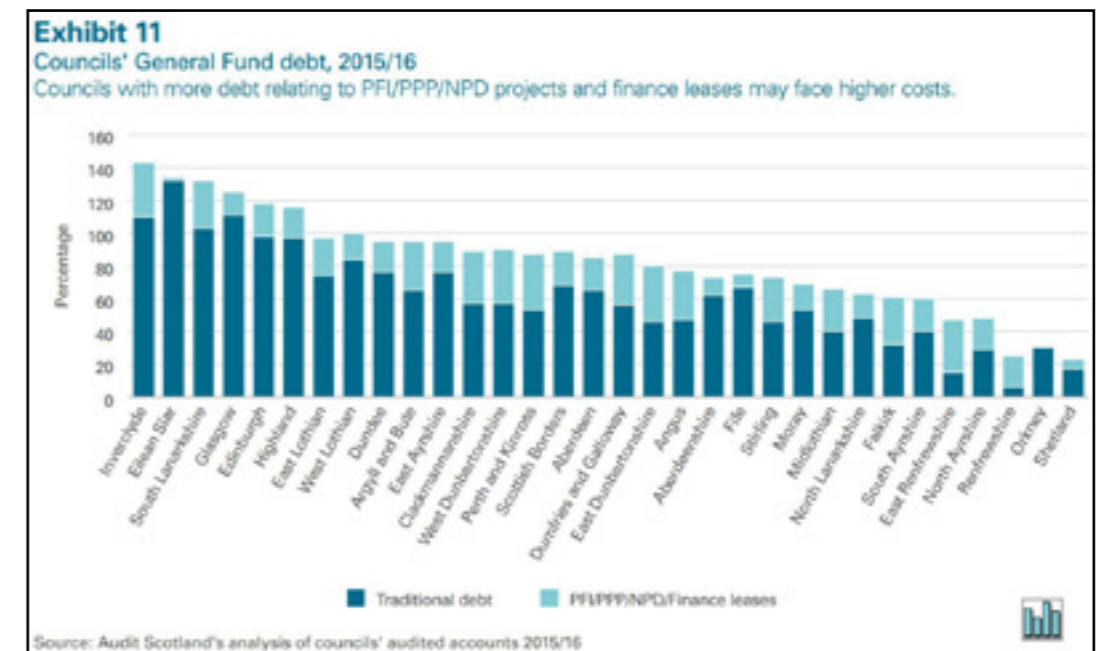
It is clear from the limited responses here that PPP schemes are paying over the odds for borrowing, as numerous reports have shown and as UNISON has warned for years. The difficulty in getting information about the true costs of PPP/PFI, through the intrinsic lack of transparency, is an ongoing problem.

Branches should actively seek as much information about the funding and cost of projects as possible, or insist that where details are not released to the public those staff making decisions and assessments about buying out contracts should ensure they have full access to the information for their purposes. We repeat that the public's right to information should follow the money and these expensive contracts should be subject to FOI legislation.

**Q6** Has your council changed the length of loans to lower individual repayments? If so, what is the annual saving?

**OVERVIEW**

PPP debt in Scotland is enormous, but councils obviously have a range of other borrowing. This Audit Scotland chart shows the percentage of each council's budget that is taken up by PPP/PFI debt and finance leases, and the proportion of traditional debt, showing that it is worthwhile looking at the costs of this and whether savings can be made.





Nearly all said that they have not done this, although several pointed out that their treasury management policy is to actively review options. Stirling said: “No. Loans are fixed term. No early repayment or refinancing has taken place as current interest means it is too expensive to do this.”

However, Edinburgh gave an example of debt restructuring packages (early repayment of loans & refinancing) during the 2000s that generated substantial savings.

## RECOMMENDATION

The example from Edinburgh suggests that there is the potential for very substantial savings. Branches should push councils on whether they have actively and thoroughly considered this as an option.

**Q7** Has your council refinanced any loans to take advantage of lower interest rates? If so, what is the annual saving?

## OVERVIEW

Again, most said they had not. Aberdeen City replied saying that “changes to PWLB refinancing costs in 2008, have made this option unaffordable”. Aberdeenshire said they regularly review their loans portfolio, including in conjunction with their Treasury Advisors, but added: “In the current interest rate environment rates are substantially lower than historical loans but to reschedule on a term or rate basis would incur substantial breakage costs which eradicate any potential interest saving.”

Several other councils made similar comments, including Glasgow (“the current interest rate environment precludes any savings being identified”), and North Lanarkshire (“This authority monitors the economic climate in relation to our financial targets and TM Strategy. The interest rates prevailing in the last three years have resulted in no beneficial opportunities for debt restructuring/rescheduling of the Council’s long term debt portfolio as a result of prohibitive premiums payable for early redemption.”) South Lanarkshire and Stirling.

Angus said this has not happened recently and details of annual savings aren’t available as “records of historical refinancing are no longer retained.”

## RECOMMENDATION

It is clear that councils say they would do this, but for the high redemption penalties. This of course begs the question about whether those loans were best value, assessed over the longer term and suggests that perhaps Treasury Management policies have – to put it mildly - not been as good as they should have been.

Branches should ask for details of all assessments and costings and ensure these are actively reviewed to ensure all potential options for refinancing are on the table.

**Q8** Has your council considered using bonds to finance capital borrowing? If so, what was the outcome of that consideration?

## OVERVIEW

In our Combating Austerity report, we urged councils to look at bonds as PWLB rates were so high that around 60 local authorities in England and Wales had joined together in the Municipal Bonds Agency, which aimed to arrange cheaper loans. We pointed out that if half of the outstanding £9 billion of debt of Scottish councils with the PWLB was transferred to cheaper deals, the savings could be between £270m-£337.5m over 30 years.

Aberdeen City has now become the first Scottish council to issue a bond. Their response said they “launched a successful £370m bond issue in November.”

Aberdeenshire said they will monitor the Aberdeen City bond to see how effective it is and the level of real saving. Edinburgh said they looked closely at bond issuance over an anticipated funding requirement of £300m for major

transport infrastructure, schools and other capital expenditure. However, they decided in 2011 there was no financial benefit and it was cheaper to use a combination of short to medium PWLB borrowing along with running down the Council’s temporary investment balances.

Glasgow said it has considered but rejected as not representing best value. Clackmannanshire said that they actively review but have no investment in bonds. Dumfries & Galloway said re their schools PPP it had not been considered post financial close but was pre financial close. East Renfrewshire said they would not meet minimum size for a bond issue. Falkirk said they considered it after Aberdeen Council’s bond issue but opted against as borrowing from the PWLB was a preferable option, due to factors including: in net present value terms PWLB is less expensive and much simpler; substantial outlay in advisers fees; have to obtain and maintain credit rating which is costly; not suitable for conventional capital programmes.

North Lanarkshire said they consider bond issuance a potential borrowing instrument but in the last three years it has not been deemed the optimum. (Various reasons cited.) South Lanarkshire said while bonds are an option in the right circs, they have different needs from councils issuing bonds for very specific purposes. They have a strategy of not holding excessive debt levels, borrowing for shorter time periods than suitable for bonds, and can do so at historically low interest rates. Stirling said they have set up an energy efficient street lighting capital project financed by loans from the Green Investment Bank.

### Aberdeen City Council’s bond: Key facts:

First Scottish council to issue a bond. Issued in November 2016 after receiving a credit rating of Aa2 from Moody’s.

It was oversubscribed, raising £370m successfully. An “above-par” deal giving the council around 12% for paying 0.1% on the sum, saw Aberdeen receive a total of £415 million on settlement day.

The council said that proceeds from the bond issue will be used to support a £1b capital programme which includes investment in vital infrastructure throughout the city - the comprehensive City Centre Masterplan, school and housing developments (building 3,000 homes over the next 15 years), roads construction, digital enhancements and a variety of key projects “designed to act as a catalyst for economic growth.” These include redevelopment of the Aberdeen Exhibition and Conference Centre.

The Scottish Government said the funding mechanism had great potential for wider use in Scotland.

The council said the bond option offered a potential £100m saving over the 35 year lifetime compared to a traditional strip lease.

It was best on ground of: cost, flexibility, future flexibility (including potentially trading in the secondary market, possibly to ‘buy back’ the debt in future), affordability, debt profile and income match – “a better inflation hedge with project income than the next best option (PWLB), given project income is generally expected to rise with inflation over time.”

<http://www.room151.co.uk/treasury/aberdeens-370m-bond-journey/>

<http://www.publicfinance.co.uk/news/2016/11/aberdeen-becomes-first-scottish-council-issue-bonds>

## RECOMMENDATION

Aberdeen City deserves praise for the bond scheme, which they said would save up to £100m over a traditional strip lease. Others should be actively considering this, including the possibility of working together with other councils, as is happening in England with the Municipal Bonds Agency. The activities of the Agency do seem to have led to a lowering of PWLB rates, so bonds might not always be the right option. However, there is still considerable potential for using them for some forms of financing and saving money by doing so.

**Q9** Have you considered any other measures to reduce your borrowing costs, other than borrowing from reserves? If so, what was the outcome of that consideration?

### OVERVIEW

Most councils said either that they had not, or that they regularly review all borrowing options, without giving a major description of the outcome.

One of the few to give a specific example was City of Edinburgh, stating that: In 2009 the Council purchased its headquarters building, and this was initially funded using temporary inter-authority borrowing giving a variable rate exposure while interest rates fell, before locking out later with the PWLB at much lower rates that would initially have been the case. As well as reducing investments to fund the borrowing requirement, the Council has taken interest free loans from Salix.

North Lanarkshire also said that they have used the temporary loans (less than a year) available on the inter authority market from "cash rich local authorities, particularly in England, who are looking to find a safe haven for their monies." No specific detail was given.

A total of 11 councils said they had not considered other measures: Aberdeen, Angus, Argyll & Bute, Dumfries & Galloway, East Lothian, East Renfrewshire, Fife, North Ayrshire, Perth & Kinross and South Ayrshire. (Midlothian said not in relation to PPP contracts.)

The other 15 councils responded saying that they regularly review and adjust borrowing, with most citing this as being part of their Treasury Management Strategy, Aberdeenshire, City of Edinburgh, City of Glasgow, Clackmannanshire, East Ayrshire, East Dunbartonshire, Falkirk, Inverclyde, Moray, North Lanarkshire, Renfrewshire, Scottish Borders, South Lanarkshire, Stirling, West Lothian.

Examples:  
Aberdeenshire said: "We continually monitor all available options to reduce borrowing costs through both our broker and our Treasury advisers to use the best approach that meets our Treasury Strategy. The most effective way in recent years has been to utilise reserves which are unable to generate a decent return with a view to deferring borrowing if possible."

South Lanarkshire said: "Yes. The council continually considers the most appropriate form and term of borrowing (including rescheduling of debt in the past and taking borrowing over shorter periods to attract lower borrowing costs)."

Stirling said: "Yes. Currently in an under-borrowed position. Treasury Strategy has focused on delaying new long-term borrowing and using temporary borrowing instead, in order to benefit from the short-term advantage of lower interest rates."

All councils have a TM strategy, so the eleven negative responses above cannot be taken to mean they were not doing this.

### RECOMMENDATION

Branches should ask for a breakdown of all existing debt/loans, including the amount borrowed, type of loan, lender, repayment term, any charges for early redemption, start date and amount outstanding and ask to see the council's debt book.

Check which of the existing loans, whether from the PWLB, or other funders, are clearly paying too much interest. Check early repayment charges. Query whether finance officials are being too cautious.

**Q10** Please supply a copy of your council's current borrowing book with outstanding loans in the usual spreadsheet format with, as a minimum, the information as set out below:

Amount borrowed: £	Date borrowed:	Maturity date:	Interest provider rate %	Amount outstanding £	Loan type
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### OVERVIEW

Some interpreted the question as being about PPP schemes only and did not provide this, arguing it was not relevant to PPP. Some referred to relevant published council papers, with some/most of the detail.

However, East Dunbartonshire said: The Council deems this information as highly sensitive and confidential. As at 31/12/2016 East Dunbartonshire Council borrowing totalled £162m, at an average interest rate of 4.70%.

West Lothian said: The council's outstanding debt at 31 March 2016 is PWLB £465 million, LOBOs £61 million and Temporary Market Loans £5 million.

Some councils did not provide a response, despite saying they would and being reminded. The following councils provided a spreadsheet, though not always with all the information requested:

Aberdeenshire, Angus, Argyll & Bute (example shown), Clackmannanshire, Dumfries & Galloway, East Ayrshire, Edinburgh, Falkirk, Glasgow, Inverclyde, Moray, North Lanarkshire, Perth & Kinross, Scottish Borders, Stirling.

Just a cursory glance at the spreadsheets shows considerable outstanding debt that has very high interest rates compared to recent lows. Lots of loans have rates above 4% (many above 7%, 8%, 9%) with generally speaking only more recent borrowing coming down below that. And all these councils have LOBO loans, which are not recommended.

### RECOMMENDATION

Branches should ask for a breakdown – as above - of all existing debt/loans, including the amount borrowed, type of loan, lender, repayment term, any charges for early redemption, start date and amount outstanding. Many councils will provide this if asked and some may publish some of this in regular council papers.

If councils only provide the average of the debt interest rates, this does not give sufficient information to see how many very high interest loans there are.

Check which existing loans are clearly paying too much in interest? What are the charges for early repayment? The council should be looking at this urgently. Query whether finance officials are being too cautious. Propose to councillors/officials the need for a thorough review with a view to making savings through restructuring/refinancing.

**Q11** Has your council considered any revenue generating projects such electricity generation?

**OVERVIEW**

City energy generation was one of the key proposals we made for councils to look at income generation. We said that cities, in particular, should be looking into this. Examples from Germany show that municipal energy companies are a driver for innovation. E.g. a municipal utility near Stuttgart – Stadtwerke Schwabish Hall (SSH) - has an annual turnover of E237 million, mainly from renewable energy, employing 500 people.

We need imaginative, big thinking, from Scotland’s cities. They could use prudential borrowing and pension funds could see investing in Scottish clean energy generation as a positive investment, unlike putting funds into risky projects such as fracking, with all its known environmental and safety issues.<sup>8</sup> UNISON works with other organisations, including Friends of the Earth Scotland and Common Weal, urging pension funds to divest from dirty fossil fuels and invest in clean energy.<sup>9</sup>

While we welcome the Scottish Government’s commitment to explore the potential for a government owned energy company to support local and community projects, councils don’t need to wait for that. Many smaller scale energy generation projects are still valuable contributions. Large or small, such initiatives are win, win, win for councils because they save energy, contribute to climate targets under the public bodies climate duties, and bring in funds.<sup>10</sup>

A report commissioned in 2016 by Claudia Beamish MSP, Labour’s Environment, Climate Change and Land Reform spokesperson, looked at the role of local authority energy companies in delivering a low carbon energy system for Scotland.<sup>11</sup> It summarises a range of plans around the country, recommends local authorities should look to setting up local energy companies and urges the Scottish Government to install renewable and low carbon energy systems on its buildings.

A lot is starting to happen, but not on a big enough scale, and changes to government support including on Feed-in-Tariffs have slowed progress. However, as Glasgow City council responded (see more below), about their assessment that energy efficiency currently gives them a better return on investment:

“It should be noted that this is a temporary position in that renewables are gradually reaching parity with grid costs as the price of installations fall. Therefore we are constantly reviewing previously unviable projects and considering future installations.”

There is enormous further potential and the public sector is embracing renewables.

The APSE research paper, Municipal Energy: Ensuring Councils plan, manage and deliver on local energy<sup>12</sup>, shows that every £1 councils invest in renewable energy schemes brings a further £2.90 in cashable benefits. Local government energy bills could be cut by up to half through energy generation and comprehensive energy efficiency measures. Scottish Water is leading the way on energy generation in the public sector, on course to - through its own investment in renewable energy, and hosting private investment -facilitate the generation of more than twice the amount of renewable energy it consumes annually by 2018.

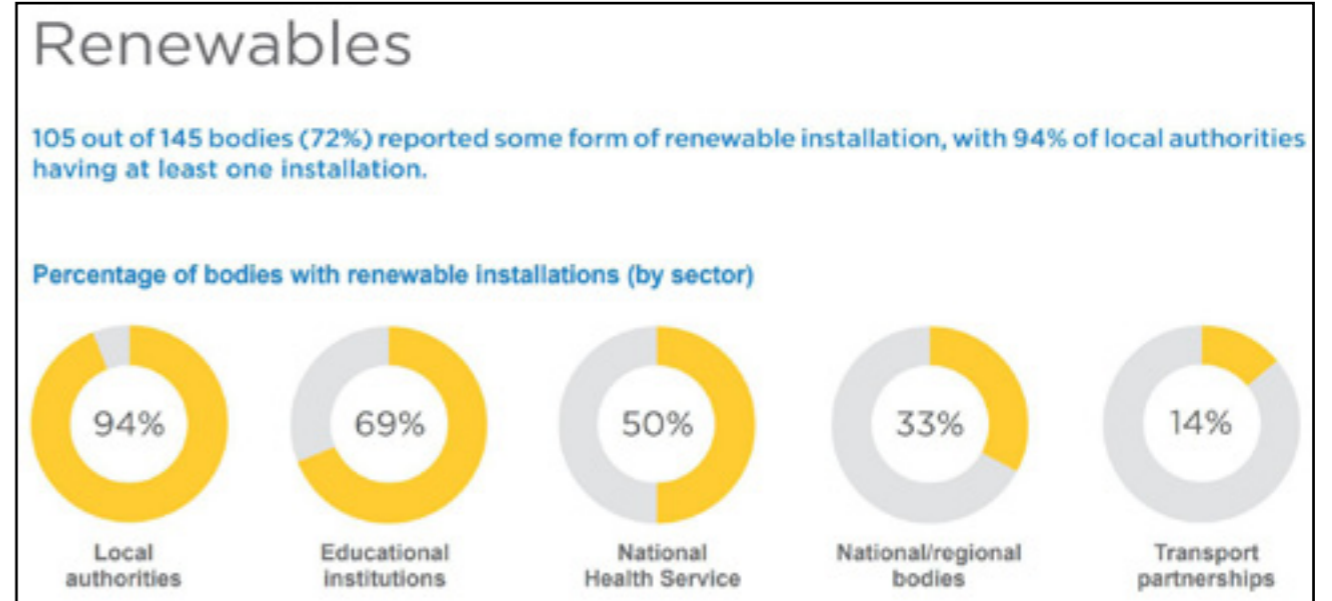
8 [http://www.heraldscotland.com/news/15354853.Dirty\\_money\\_\\_Scots\\_councils\\_under\\_fire\\_for\\_fracking\\_funds/](http://www.heraldscotland.com/news/15354853.Dirty_money__Scots_councils_under_fire_for_fracking_funds/)

9 <http://reinvest.scot/wp-content/uploads/2017/03/Divest-and-Reinvest-Scotland-Printable.pdf>

10 Obviously energy efficiency savings also have huge potential in both combating austerity work and meeting climate targets. Just one example, the Scotland Street Lighting Energy Efficiency Programme, has increased the number of LED street lights now installed to over 125,000 and saved councils £7.7m in avoided electricity and maintenance costs, and reduced carbon emissions by 24,500 tonnes of CO2. <http://www.scottishfuturestrust.org.uk/news/scotlands-street-lighting-programme-in-the-spotlight/> One of the first to do this, West Dunbartonshire council, is on track to save £500,000 annually in energy costs. Investment in LED lighting is expected to rise to £337m by 2021, delivering electricity and maintenance cost savings of £1.2bn as well as save 2.6m tonnes of CO2 over the next 20 years. <http://www.low-carbonscotland.scot/smart-infrastructure/>

11 <http://www.microgenscotland.org.uk/wp/wp-content/uploads/2016/07/LocalAuthorityEnergy.pdf>

12 <http://www.apse.org.uk/apse/index.cfm/news/2015/municipal-energy-ensuring-councils-plan-manage-and-deliver-on-local-energy/> <<http://www.apse.org.uk/apse/index.cfm/news/2015/municipal-energy-ensuring-councils-plan-manage-and-deliver-on-local-energy/>

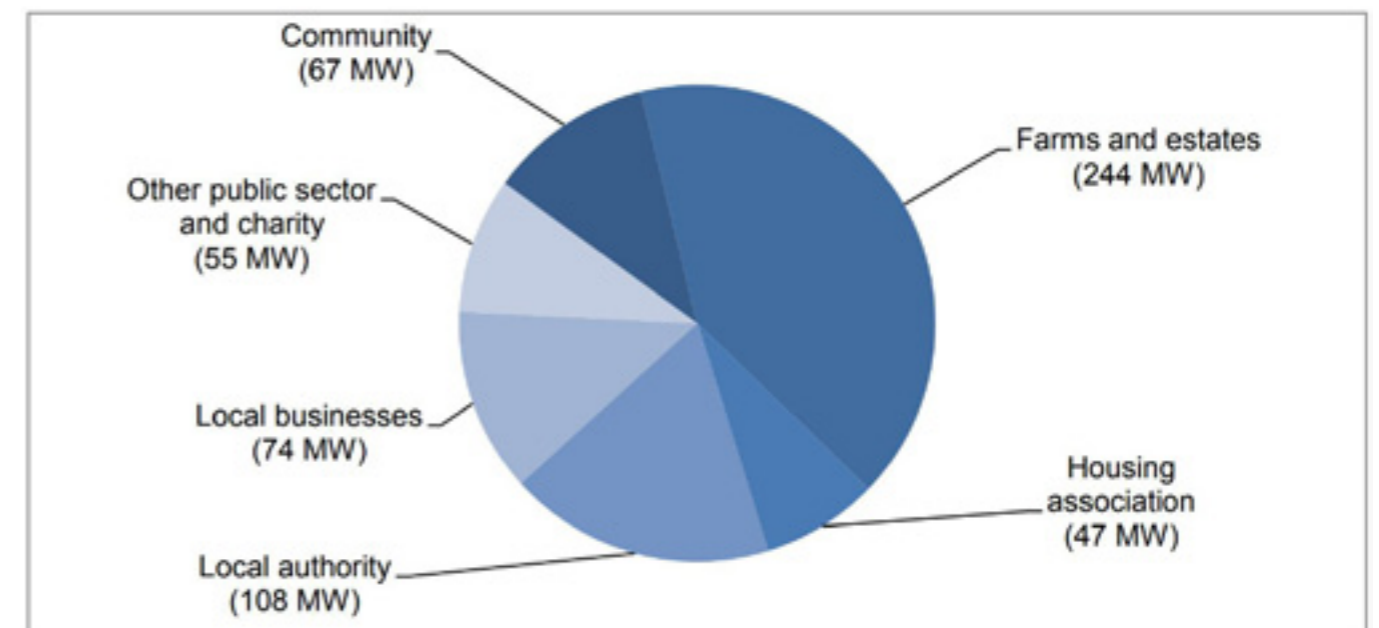


Keep Scotland Beautiful: Scottish Public Bodies Climate Change Reporting 2015/16

What has been done so far? The Energy Saving Trust Report for the Scottish Government in December 2016 on Community and Locally Owned Renewable Energy<sup>13</sup> found that:

“Since September 2015 the largest proportional increases in operational capacity have been in the housing association and local authority ownership categories, with capacities increasing by 25% and 23% respectively. Highland council and South Lanarkshire council held the highest shares of local authority owned renewable energy capacity with 18 MW and 17 MW of operational capacity installed respectively.”

**Figure 1. Capacity of operational installations at June 2016, by ownership category**



Energy Savings Trust: Community and locally owned renewable energy in Scotland at June 2016

13 [http://www.energysavingtrust.org.uk/sites/default/files/reports/Community%20and%20locally%20owned%20report%202016\\_final.pdf](http://www.energysavingtrust.org.uk/sites/default/files/reports/Community%20and%20locally%20owned%20report%202016_final.pdf)

Scottish Water is the best example of what the public sector is doing on renewables. Publicly owned, it has doubled installed renewable capacity since 2013 to over 53 GWh. The company said it has diversified its portfolio to include hydro, wind, photovoltaic solar and combined heat and power (CHP). "We currently have 29 hydro turbines, 18 small scale wind turbines, 24 solar schemes, 2 biomass boilers and 2 CHP plants, helping to offset the amount of electricity we need from the grid, with several treatment works now self-sufficient. We are also exploring private wire contracts which will connect our assets to adjacent third party renewable assets – for example local community owned."

Scottish Water is the biggest multi-site user of electricity in Scotland and requires around 445 Gigawatt hours (GWh) per year. It supports more in renewable energy generation than it uses. "Through a combination of our own investment in renewable energy, and hosting private investment on our estate, we expect to facilitate the generation of renewable energy amounting to more than twice the level of energy we consume annually by 2018."<sup>14</sup>

It can be difficult collating information on energy generation, but one source that may be increasingly useful as reports build up is the public bodies climate change duties annual reporting, now mandatory. The first set of mandatory reports - searchable by year and by public body - was submitted for November 2016. Branches can check on the Keep Scotland Beautiful climate change reporting website<sup>15</sup> what their employer has submitted on the whole range of climate mitigation and adaptation work. Councils have been reporting voluntarily for a few years now. The most recent analysis report is for 2015/16.<sup>16</sup>

**Table 3: Operational capacity in local authority ownership by technology<sup>24</sup> and area<sup>25</sup>, June 2016**

Local Authority	Biomass	Energy from waste	Heat pump	Solar PV	Solar Thermal	Wind	Total
Highland	17 MW	-	<1 MW	<1 MW	<1 MW	-	18 MW
South Lanarkshire	7 MW	-	9 MW	1 MW	<1 MW	<1 MW	17 MW
Dundee City	1 MW	7 MW	<1 MW	<1 MW	<1 MW	-	8 MW
Fife	<1 MW	5 MW	<1 MW	<1 MW	1 MW	<1 MW	7 MW
Perth and Kinross	7 MW	-	<1 MW	-	<1 MW	-	7 MW
Aberdeenshire	4 MW	-	<1 MW	1 MW	<1 MW	<1 MW	5 MW
Stirling	1 MW	<1 MW	<1 MW	4 MW	<1 MW	<1 MW	5 MW
North Lanarkshire	2 MW	1 MW	<1 MW	2 MW	<1 MW	<1 MW	4 MW
North Ayrshire	3 MW	-	-	1 MW	<1 MW	<1 MW	4 MW
Moray	<1 MW	-	3 MW	<1 MW	<1 MW	<1 MW	4 MW
West Dunbartonshire	-	-	4 MW	<1 MW	-	-	4 MW
City of Edinburgh	1 MW	-	-	<1 MW	2 MW	<1 MW	3 MW
West Lothian	3 MW	-	<1 MW	<1 MW	<1 MW	-	3 MW
Argyll and Bute	1 MW	-	<1 MW	1 MW	-	<1 MW	3 MW
Angus	2 MW	-	<1 MW	<1 MW	<1 MW	<1 MW	2 MW
All other areas <sup>26</sup>	5 MW	<1 MW	3 MW	3 MW	1 MW	2 MW	14 MW
<b>Total</b>	<b>53 MW</b>	<b>13 MW</b>	<b>21 MW</b>	<b>14 MW</b>	<b>5 MW</b>	<b>2 MW</b>	<b>108 MW</b>

<sup>25</sup> Figures are rounded to the nearest 5.

<sup>24</sup> Hydroelectric and unspecified technology capacities and are not shown for ease of display; Shetland has one hydroelectric system (0.016 MW) and there is 0.02 MW of 'unspecified' operational capacity. These figures in particular have been omitted due to their small impact on the overall figures displayed.

<sup>25</sup> Only the top 15 local authority areas (by operational capacity) have been shown in detail for ease of display.

<sup>26</sup> Glasgow, Dumfries and Galloway, Orkney, Scottish Borders, Aberdeen City, Renfrewshire, Western Isles, Inverclyde, Midlothian, Clackmannanshire, East Lothian, Shetland Islands, South Ayrshire, East Ayrshire, East Renfrewshire, Falkirk, East Dunbartonshire.

Energy Savings Trust: Community and locally owned renewable energy in Scotland at June 2016

<sup>14</sup> <http://www.scottishwater.co.uk/investment-and-communities/investment-programme/energy>

<sup>15</sup> <http://www.keepsotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/>

<sup>16</sup> <http://www.keepsotlandbeautiful.org/media/1558676/ssn-public-bodies-reporting-final-250417.pdf>

**Table 4. Number of operational systems in local authority ownership by technology<sup>27</sup> and area<sup>28</sup>, June 2016<sup>29</sup>**

Local Authority	Biomass	Energy from waste	Heat pump	Solar PV	Solar Thermal	Wind	Total
South Lanarkshire	50	-	1360	70	35	<5	1,515
Stirling	5	<5	<5	1225	15	<5	1,250
Fife	5	5	30	55	425	5	525
Moray	5	-	445	<5	25	<5	475
Orkney	-	-	100	75	<5	15	195
Highland	80	-	20	45	10	-	160
Midlothian	<5	-	-	<5	150	-	155
Angus	10	-	15	20	60	<5	105
North Lanarkshire	5	<5	5	65	5	<5	80
City of Edinburgh	5	-	-	25	25	<5	55
Western Isles	-	<5	10	20	10	5	45
Aberdeenshire	10	-	10	15	<5	<5	40
Dumfries and Galloway	10	-	<5	20	5	-	35
West Lothian	5	-	5	20	5	-	35
North Ayrshire	15	-	-	15	5	<5	30
All other areas <sup>30</sup>	35	<5	60	110	40	20	270
<b>Total</b>	<b>235</b>	<b>10</b>	<b>2,055</b>	<b>1,785</b>	<b>815</b>	<b>60</b>	<b>4,965</b>

For farms and estates, wind turbines and biomass boilers are the main renewable technologies owned. Installations of biomass boilers and wind turbines on farms and estates typically have very large capacities<sup>31</sup>, leading to farms and estates owning the largest share of installed operational capacity as of June 2016 (with 41% of the total operational capacity) despite only owning 4% of all installations.

<sup>27</sup> Hydroelectric and unspecified technology capacities and are not shown for ease of display; Shetland has one hydroelectric system (0.016 MW) and there are two installations with 'unspecified' technologies in Fife and Midlothian.

<sup>28</sup> Only the top 15 local authority areas (by number of installations) have been shown for ease of display.

<sup>29</sup> All figures shown are to the nearest 5.

<sup>30</sup> Argyll and Bute, Renfrewshire, Clackmannanshire, Dundee City, Aberdeen City, Glasgow, East Lothian, Falkirk, Shetland Islands, Perth and Kinross, Inverclyde, Scottish borders, East Ayrshire, South Ayrshire, East Renfrewshire, West Dunbartonshire, East Dunbartonshire.

<sup>31</sup> Farm and estate biomass (wood) heating systems sizes range between 15 kWth and 900 kWth, with over half of the projects having a capacity of between 100 kWth and 300 kWth. See appendix 4 for more details. Farm and estate wind turbines varied greatly in size, from 1 kWth (0.001 MWth) to 2.5 MWth (2,500 kWth), however most were over 300 kWth (0.3 MWth) in size.

Energy Savings Trust: Community and locally owned renewable energy in Scotland at June 2016

## RESPONSES

Seven councils said a straight no to this question, while Renfrewshire didn't answer and, bizarrely, North Lanarkshire said that information was not held. The seven are: Argyll and Bute, East Ayrshire, East Renfrewshire, Fife, Perth & Kinross Council, South Ayrshire, West Lothian. (It's possible they meant no, with regard to their PPP/PFI projects.)

Fife said they not had any involvement in generation projects, nor have any been considered. However, because Fife has a 'green' reputation, we checked. A report from July 2016<sup>17</sup> covers the council's latest wind turbine project, it's first commercial scale turbine, which was due to export all its electricity – enough to power 200 houses – to the grid. The report quotes 'Sustainability Champion' Councillor John Wincott, who said: "This turbine is the latest in a series of renewable energy generation projects that Fife Council have undertaken and is a valuable addition to our portfolio." It would generate income for the council of up to £100,000 annually. The turbine is managed by Resource Efficient Solutions, Fife Council's arm's length environmental and resource management company.

Of the councils who said they are doing work in this area, few gave any income figures.

### Aberdeen City

Has set up an Esco (Energy Services Company) to help drive forward Powering Aberdeen, its sustainable energy action plan (SEAP). Projects include a £120m energy from waste facility and a state-of-the-art hydrogen production and bus refuelling station with 10 hydrogen fuel cell buses, it says is Europe's largest fleet.<sup>18</sup>

### Aberdeenshire

Aberdeenshire Council continue to take actions to reduce carbon emissions. This includes the generation of electricity. Photovoltaic panels have been installed on a number of buildings including Woodhill House, new schools, new care homes and existing schools. The electricity generated is helping to reduce electricity consumption and energy costs.

### Angus

Electricity generation from the tidal part of the river South Esk was considered when the Montrose Bridge replacement scheme was being developed. It concluded that the power generation was not feasible at that time. However, ducts were incorporated in the bridge deck to cater for any future development at the site. The bridge was opened in 2005.

### Clackmannanshire

In 2015 the Council considered installing Solar Panels onto Council Stock. The outcome was that this was not financially viable due to the reduction in the feed in tariff.

### Dumfries and Galloway

Yes, investigations are ongoing. We have looked at wind energy but had none of our own land holdings with sufficient wind speed to justify investment. We have also looked at larger scale solar PV on reclaimed landfill sites but were unable to proceed due to Scottish Power grid constraints at the time.

We have however invested in buildings mounted Solar PV as part of a spend to save programme whereby the business case relies on the majority of generated power being used on site to offset purchased electricity and the FIT rate covers installation costs and generates a surplus. We have installed about 1.5 mw of panels on approx. 22 buildings. Income varies dependent on rate at time of commissioning and cost of installation.

### East Dunbartonshire

EDC has several revenue generating projects which include solar pv, thermal pv, biomass, LED street lighting and energy efficient lighting in schools and public buildings. Reducing carbon is a priority for the Council as well as generating revenue.

### East Lothian

Is starting to look at setting up a project steering group.

<sup>17</sup> <http://www.kingdomfm.co.uk/news/local-news/new-wind-turbine-added-to-councils-green-portfolio/>

<sup>18</sup> <http://committees.aberdeencity.gov.uk/documents/s59648/ESCo.pdf>, <http://committees.aberdeencity.gov.uk/documents/s59649/ESCo%20Appendix.pdf>, <http://committees.aberdeencity.gov.uk/documents/s61215/Powering%20Aberdeen.pdf>

### Edinburgh City

Edinburgh Community Solar Co-operative<sup>19</sup>. In 2015, the Council signed an agreement with Edinburgh Community Solar Co-operative (ECSC) granting a licence to ECSC to install community-owned solar panels on Council-owned buildings. ECSC launched their public share offer on the 29 September 2015 to raise the £1.4m of capital required for installations. As part of the scheme, ECSC are creating a community benefit fund which will distribute up to £1m in grant funding over the 20 year duration of the agreement. In September 2016, Edinburgh Community Solar Co-operative (ECSC) completed the installation of 1.4MW of solar PV panels across 24 Council owned buildings, including 18 schools. The panels are expected to generate 1,140MWh of electricity each year. It is estimated that 70% of this electricity will be used directly by the host buildings, displacing grid electricity and creating an associated carbon reduction of 356 tonnes of CO2 a year. The total carbon reduction, including exported electricity, is estimated at 508 tonnes of CO2 a year. Edinburgh Community Solar Co-operative were under pressure to complete installations by the end of September to qualify for previously secured Feed in Tariff rates. Now that the panels are installed and generating, the Council will start to pay ECSC for solar generated electricity used on site. The price paid by the Council is fixed at 2014/15 electricity prices. The Council will receive an increased financial benefit from the scheme as electricity rates continue to rise.

### Falkirk

The Council has currently three solar PV installations in schools and is looking to increase this where this is financially viable. The Council is also examining the potential for district heating in Grangemouth, but it is too early at this stage to indicate if this presents any revenue generation potential.

### Glasgow City

Given the continuing rise in utility costs and the reduction in subsidies for renewable energy generation, our focus has primarily been on energy efficiency activities since they, in general terms, provide better returns on investment. That being said, we have initiated two programmes of generation:

- 1) The installation of Combined Heat and Power (CHP) units is considered wherever boiler plant is reaching the end of serviceable life. Decisions are based on a financial and technical feasibility study.
- 2) A programme of Photovoltaic (PV) Solar Panel installations is underway. One 30kW system is nearing completion with the installation of a second 50kW installation about to commence. Again, installations are subject to financial and technical feasibility studies.

It should be noted that this is a temporary position in that renewables are gradually reaching parity with grid costs as the price of installations fall. Therefore we are constantly reviewing previously unviable projects and considering future installations.

### Inverclyde

In connection with the construction of Council's PPP project the 4 schools were provided with small PV arrays which are principally for Educational purposes and connected to a user display. 2 of these (within the 2 secondary schools) are registered for Feed-In-Tariff income which the Council receives. The Council is currently investigating the feasibility of the installation of additional PV panels at the 2 PPP secondary schools.

As part of major capital projects connected with renewal and refurbishment of the Councils Estate and Asset Management Plans a number of PV arrays have been installed across multiple properties and the majority of these are registered for Feed-In-Tariff income. The Council also has one Biomass boiler installation which received RHI payments and has one wind turbine associated with a secondary school. A local hydro scheme is also currently being investigated in conjunction with Scottish Water. (Papers show that the Holeburn Scheme at Greenock Cut could provide 100kW output of electricity with an annual income of around £40,000. Estimated capital investment would be £900,000.)

### Midlothian

Proposal at an early stage (no further info given)

### Moray

The Council receives royalties on a gas extraction project at a landfill site. The Council is developing an Energy from Waste joint project with Aberdeen City Council and Aberdeenshire Council. It is principally a waste management project but it will generate income streams.

<sup>19</sup> Dec 2016 report Energy in Schools Annual Report [www.edinburgh.gov.uk/meetings/meeting/4093/education\\_children\\_and\\_families\\_committee](http://www.edinburgh.gov.uk/meetings/meeting/4093/education_children_and_families_committee)

**North Ayrshire**

Yes on one secondary school but the costs were prohibitive, therefore the decision was made not to proceed. NB: This answer perhaps refers only to PPP/PFI. We know, for example, that North Ayrshire recently received a Sustainable Scotland award for its biomass heat, solar and car share programme which it runs with partners with HWEnergy, Emtec Energy and Enterprise CarShare. It also features in the 2015 APSE Municipal Energy report mentioned earlier, as aiming to be a centre of excellence for renewable technologies, with already 140MW of installed energy generation. (However, the Energy Savings Trust report mentioned above lists N Ayrshire at 4MW. It's sometimes difficult getting the most up to date figures in reports that potentially refer to different times or measures.)

**Scottish Borders**

Currently undertake conversion of landfill gas to electricity. Programme of energy efficiency projects identified within the Capital program which will review options such as solar panels and other opportunities.

**South Lanarkshire**

The Council has included within a number of Capital Projects (excluding the High School PPP), the inclusion of Renewable Heat Incentive compliant technologies and those which generate income through the Governments Feed-in Tariffs initiatives. These technologies have not been retro-fitted to the High School Estate at this time.

**Stirling**

The Council receives income from Renewable energy schemes e.g. Photovoltaic panels, by way of income from Energy exported back to the grid as well as income from government incentives such as Feed-in Tariffs and Renewable Heat Incentives. In 2015/16 this amounted to £78k for public buildings and £268k for Council Houses.

**RECOMMENDATION**

These responses show the potential income for councils is considerable and there are examples of good work. Again, much more could be done. The total income in just these responses is £350,000 for Stirling. Others did not list income. Fife, as noted, reportedly will receive up to £100,000 annually.

We believe there is scope for massive energy savings and income generation through municipal energy schemes.

If Scottish Water can, through its own investment in renewable energy, and hosting private investment, facilitate the generation of more than twice the amount of energy it consumes annually by 2018, councils and health boards could follow that example and save millions on their own energy bills.

(Spend to save on energy efficiency can also reap major savings. E.g. the Scotland Street Lighting Energy Efficiency Programme has already saved councils £7.7m in avoided electricity and maintenance costs.)

Separate campaigns we are involved in include ensuring pension funds divest from fossil fuels. These funds may well be an option for funding city energy generation projects.

Branches should have discussions with councils about what is currently planned and assess how best to progress imaginative and ambitious renewables generation projects.

**Responses to questions we asked health boards**

The questions we asked all 14 geographical boards, with information about the responses are below.

As noted above, ten responses are reported below as Borders, Orkney, Shetland and Western Isles health boards responded saying they have no PPP schemes. (Orkney's forthcoming hospital/healthcare facility NPD scheme is due for completion in 2018/19. Financial close was reached with Robertson Group in April 2017.) Responses from ten health boards.

**Q1** What measures have you taken to monitor the contract performance of PPP schemes?  
We are looking for a description of systems and an approximate indication of client side staffing to undertake contract monitoring.

**OVERVIEW**

The following health boards gave some detail about monitoring systems:

Ayrshire & Arran – NPD/PPP/PFI contracts monitoring officer appointed in Jan 2016 to monitor the three contracts. With others (see table) attends meetings including East Ayrshire Community Hospital bi-monthly operation group, Ayrshire Maternity Unit joint working group and the new NPD at Woodland View, Irvine, Fife - system is designed to be self monitoring by the PPP contractor – monthly project monitoring report reviewed at meetings with service provider and senior NHS staff, Forth Valley - weekly walkabout of sites by provider and NHS staff as well as reference to ad hoc audits of service specification to ensure compliance at all times and random testing of response & rectification times, Highland -at New Craigs PFI all minor works are checked and any contract variations are scrutinised with tens of thousands of pounds saved through negotiation. Examples of other savings provided incl £20k for security managed through FM company not NHS Highland. Rep on Health Facilities Scotland PPP practitioner group & HFS have done in depth review of facility. At Tain Health Centre (hub project) monitoring is via monthly meetings with contract support from Aberdeen City Council, who oversee on NHSH behalf, and maintenance provider, with monthly reports, utilities reports and yearly reports to review contract performance, Tayside – see table, with meetings etc. listed by staff member responsible.

Less detail was provided by the following: (minimal in some cases eg Dumfries & Galloway said only “nominated officer has quarterly meetings with the PPP provider”)

D&G, Grampian, Lanarkshire (‘self-monitoring’ contracts - with appropriate regular performance auditing by NHS staff), Lothian (“PFI Contract Management has been restructured within the last 18 months with all contract management now the responsibility of the Facilities Directorate of NHS Lothian.”), NHS Greater Glasgow & Clyde: “Monthly report received from PPP Provider, monthly meetings to discuss report, regular scheduled and unscheduled audits.” (Others providing more detail suggest a similar system, but NHSGGC haven’t expanded on this one sentence for each contract.)

Health boards who provided an estimate of staff time varied in how they described this. Use of a \* in the table on page 28 indicates our estimate from their comments where feasible to do this - or that they did not clarify if this was FTE or a post which included monitoring as part of the responsibilities.

**RECOMMENDATION**

Although there is a central NHS Scotland PPP Special Support Team, branches should still ask questions of boards about PPP/PFI contracts and certainly raise concerns where there are failings. As above with councils, branches should ask about systems for contract monitoring and suggest that a review may be appropriate, particularly where staff numbers seem low for the task.

A review should look at previous issues raised by monitoring and reassurance that all failings have been resolved with improvement recommendations implemented. It should analyse penalties and other payments received to ensure full compliance. See Q2 It should recommend appropriate staffing.

Public bodies should establish a clear culture of rigorous monitoring of contracts. As well as ensuring fulfillment of contract obligations and expectations, where contractors know their work will be ‘under the microscope’, they may be more open to re-negotiating a contract. See Q3

Council	No. of contract monitoring staff	Details
Ayrshire and Arran	1 FTE	1FTE with others attending regular meetings, incl Finances, Estates Managers, Hotel Services Managers & others.
Dumfries and Galloway	1 FTE*	"Nominated officer has quarterly performance review proceedings with PPP Provider"
Fife	3.85 FTE	PPP Contract Manager 1.60 Admin 1.25, Energy Manager 0.2, Finance Manager 0.2, Technical Manager 0.1, Technical Officer 0.4
Forth Valley	4 FTE	Four board staff with subject matter experts as required
Grampian	2FTE	Dedicated rep manages boards responsibilities under each of the 3 completed hub sites, supported by dedicated contracts manager.
Highland	0.8 FTE*	But unclear answer re staffing. Reps participate in HFS PPP Practitioner Group. "There is staff time available for 80% Whole Time Equivalent of the NHS Highland Board Representative's time. Currently under review."
Lanarkshire	6.5 FTE	covering hard and soft facilities management.
Lothian		No staff information
Greater Glasgow and Clyde	2+ FTE	PPPContracts Manager & Depute, with others attending regular meetings including from Facilities, FM Finance, Estates Management, Capital Planning & Contract Managers.
Tayside	2+ FTE*	Contract Manager p/t – chairs monthly/quarterly contract performance meetings, attends Board meetings, monitors and reviews performance of contract providers. Commissioning Officer –f/t – Day to day operational issues arising at sites and attends contract performance meetings. Finance Manager – p/t – monitors and reviews financial arrangements, authorises payments, attends contract performance and Board meetings. Supplementary Staff when required

\* in the table on page 9 and 10 indicates our estimate from their comments where feasible to do this - or that they did not clarify if this was FTE or a post which included monitoring as part of the responsibilities.

## Q2

What penalty charges or other payments have you recovered? From which scheme and amount received.

### OVERVIEW

Details are in this table covering contract monitoring staffing and penalties, as with table for this info for councils, above.

The table shows £1,797,074 received in penalties and other monies due to health boards e.g. insurance risk reductions, deductions re availability/energy etc.

### RECOMMENDATION

A total of £1.8 million is a not inconsiderable figure. Branches should ensure that any failings are reported and should argue the case for rigorous monitoring to ensure all funds due are received.

Health Board	Penalty Charges etc
Ayrshire & Arran	£606,000
Borders	No PPP
Dumfries & Galloway	£0
Fife	£199,226
Forth Valley	£162,174
Grampian	£182,540
Highland	£55,392
Lanarkshire	£165,172

Health Board	Penalty Charges etc
Lothian	£303,010
Greater Glasgow & Clyde	£88,763
East Lothian	£2,9873
Orkney	No PPP
Shetland	No PPP
Tayside	£34,797
Western Isles	No PPP
<b>Total</b>	<b>£1,797,074</b>

**Q3** Has your organisation restructured any of its PPP contracts? If so, what savings has this delivered to your organisation? From which scheme and amount received.

**OVERVIEW**

All boards answered no except:

- NHS Lanarkshire - they have varied contracts at Hairmyres, Wishaw and Stonehouse. However, they withheld financial information under Section 33 of FoISA, without giving further details including application of the public interest test.
- NHS Highland - variations of the years to remove buildings from the project and to vary the bed numbers / occupancy – we don't class these as savings as was for restructuring services but best value for money was obtained.
- NHS Lothian - (as is long known) The Royal Infirmary of Edinburgh contract was subject to a number of revisions at the time of its refinancing in 2008 including amendment of compensation on termination provisions, the benchmarking and market testing regime and the taking back in-house of a number of soft facilities management services. For the Royal Infirmary of Edinburgh a £5 million non recurring benefit was received along with a £1.6 million annual recurring benefit in reduced service charges.

**RECOMMENDATION**

The problems over the years at Edinburgh Royal Infirmary are well known, and the work done by the branch there and the UNISON member whose FOI led to the contract being released under FOI legislation, have helped expose the outrageous costs of these contracts. Branches should push for a proper assessment of any potential savings, including in buying out the scheme (Q4).

**Q4** Have you considered buying out any PPP schemes? If so, what was the outcome of that consideration?

**OVERVIEW**

All answered no except:

- Dumfries & Galloway - all options evaluated as part of assets management strategy but no formal consideration taken to board in last 3 years.
- Highland - has been considered but has limited no of years left to run so not progressed.
- NHS Lothian gave high level consideration to the voluntary termination of the Royal Infirmary of Edinburgh contract. This option was not progressed as the compensation payments involved presented an affordability and value for money issue.

**RECOMMENDATION**

As pointed out in the original Combating Austerity report – a PFI hospital buyout in England funded by a health board borrowing from a council led to £67 million in savings to the public purse. We argue that not enough has been done in Scotland to examine these possibilities and such lending, via bonds perhaps, could raise income for councils. Lobby the board to fully investigate such options. NHS Scotland's PPP Special Support Team (SST) should take this idea up, in partnership with interested councils for whom it could generate income.

**Q5** Please list the interest rate the PPP provider is paying on borrowing to finance PPP schemes you are involved in? This includes joint schemes with health boards/councils.

**OVERVIEW**

The following boards used FOI exemptions to argue they did not hold or could not provide the information.

- Dumfries and Galloway said, using Section 17, the information is not held.

- Forth Valley used Section 33(1)( b), Commercial interests and the economy, to argue disclosure would be likely to “prejudice substantially the commercial interests of any person (including, without prejudice to that generality, a Scottish public authority).
- Highland said “information not available at this time”.
- NHS Lanarkshire “does not hold a record of the interest rates PPP providers are paying on borrowing to finance PPP schemes.” They offered links to information available at Companies House, with regard to Prospect Healthcare (Hairmyres Ltd); Summit Healthcare (Wishaw) Ltd; Stonehouse Hospitals Ltd and Hub South West Scotland Ltd.
- Greater Glasgow and Clyde also used Section 33(1)( b). They did give some ‘evidence’ of why, but no public interest balancing. They gave links to some of their online business cases and other information, including annual accounts.
- Tayside Information regarding the interest rate the PPP provider is paying on borrowing to finance PPP schemes will not be provided as part of this response. The information contained within these reports is considered commercially sensitive. The providers involved have applied a confidentiality clause in their contracts to withhold this information. Section 33, Commercial Interests and the Economy.

Those providing interest rate figures are in the table below.

**RECOMMENDATION**

As noted for local government above, it is clear that PPP/PFI schemes pay too much for borrowing, as has consistently been highlighted over many years. Branches should pursue the detailed figures about funding and financing of contracts and insist, where these are being refused, that staff making assessments about buying out contracts have access to full information.

Board	Contract	Interest rate %
Ayrshire and Arran	EACH	5.54
	AMU	5.29
	Woodland View	3.28
Fife	General Hospitals and Maternity Services, Kirkcaldy	LIBOR 4.125 Margin up to 2021 - 2.75 Margin up to 2031 - 2.85 Margin thereafter - 3.00
	St Andrew's Hospital and Health Centre	LIBOR 4.885 Margin - 3.00
Grampian	Aberdeen Health Village	Senior debt 4.73 Gilt rate 2.88
	Forres and Woodside	Senior debt 4.47 Gilt rate 2.39
NHS Lothian	Royal Hospital for Sick Children and Department of Clinical Neuroscience NPD	3.29 - 3.81
	Royal Edinburgh Hospital Phase 1 Hub	4.20 - 4.35
	Partnership Bundle Hub	3.17 - 3.27
	East Lothian Community Hospital Hub	2.78 - 2.93
	Royal Infirmary of Edinburgh PFI	6.58 - 7.23
	Ellen's Glen House	8.75%



## Conclusions

The purpose of these proposals is to save money to help protect public services because, as UNISON Scottish Secretary Mike Kirby said launching the 2015 report:

“Every sensible mitigation measure government and public authorities can take reduces the number of job losses and damage to vital public services.”

Although we are disappointed that too many councils and health boards said they had not looked at some of these very sensible proposals, the fact is there is considerable scope for them now doing so and making substantial multi-million pound savings.

Indeed we suggest that a minimum of £250m could be saved over the next ten years if the right work is done now.

Far bigger sums are achievable if the Scottish Government takes action on buying back PPP/PFI contracts. If necessary, in partnership with councils using prudential borrowing powers.

In just one example, as shown above, Highland council, which wanted to buy out its PPP contracts but was not allowed to, has negotiated changes to a schools contract which will save £2.5m over the remaining 20 years.

This FOI exercise has identified a range of income and calculated savings for councils and health boards, including, from the limited responses:

- £7.8m in penalties and insurance risk reductions and a range of other refunds/deductions from the unitary charge for a variety of service failings on areas including availability and energy, received over three years.
- £500,000 in annual savings made by three councils who restructured PPP contracts. We know of others looking at similar levels of savings. For example Inverclyde is in the process of securing a deal with estimated savings of at least £100,000 annually, plus some one-off items.
- £450,000 annual income to two councils from renewable energy generation.
- £100,000 projected savings by Aberdeen City council in relation to their groundbreaking £370m bond issued in November.
- £400m of extra borrowing for the same annual outlay by Edinburgh City council, from a restructuring of debt a few years ago.

Many respondents declined to give, or simply did not give, financial figures for work they have actually done in these areas, so clearly considerably more than the above sums has been saved through the types of measures in our Combating Austerity proposals. As many also involve PPP/PFI, often there is not full transparency, which has obviously long been an issue.

Using rough and ready figures, we have calculated a ballpark total of £16.2m annual savings - based on applying the totals from the limited responses across all councils and health boards. While a ‘guesstimate’, this is illustrative of genuine savings that are demonstrably achievable.

We argued as part of our Combating Austerity work that making full use of flexibility in new borrowing or refinancing/restructuring existing borrowing could potentially free up significant sums at a time of austerity cuts. Based on experience elsewhere, this could save upwards of £50 million.

And we pointed out in the Combating Austerity report that if half of the outstanding PWLB debt of Scottish councils were to be refinanced more cheaply, whether through, for example something similar to the Municipal Bonds Agency initiative, or through councils’ own efforts, savings could potentially be between £270m and £337.5m over 30 years.

It’s not unreasonable then to consider it feasible to achieve savings of £100m in total for the coming ten years for refinancing and restructuring debt, including considering using bonds. We do note that most said they had not considered this, while a number of answers pointed out high redemption penalties. It may well be the case that some unwise decisions were made in signing off on some loans. That makes it even more important now for proper consideration to be given to what could be achieved by restructuring.

Combined with the £16.2m over ten years, that gives a total assumption of £260m.

Our branches will take that challenge to the employers and we urge them to take it seriously. It is also time for the Scottish Government to truly get to grip with the scandalous cost of PPP/PFI contracts. Even if only a tenth of the £12billion figures proposed in Scotland were saved through buying back contracts that would be £1.2billion for public services.

We believe there is also scope for massive energy savings and income generation through municipal energy schemes. If Scottish Water can, through its own investment in renewable energy, and hosting private investment, facilitate the generation of more than twice the amount of energy it consumes annually by 2018, councils and health boards could follow that example and save millions on their own energy bills.

(Spend to save on energy efficiency can also reap major savings. E.g. the Scotland Street Lighting Energy Efficiency Programme has already saved councils £7.7m in avoided electricity and maintenance costs.)

Separate campaigns we are involved in include ensuring pension funds divest from fossil fuels. They may well be an option for funding city energy generation projects.

We urge all councils and health boards to take up the Combating Austerity suggestions. Branches should seek early meetings with the newly elected councils. We repeat our call for government action at UK and Scottish level to halt and reverse the cuts to our public services. Prime Minister Theresa May had to tell her powerful backbench 1922 Committee that austerity is dead. We have clearly all won the argument.

But such political spin does not mean there aren’t still severe cuts in the pipeline. It does not mean they will work to undo the massive damage inflicted on the most vulnerable. These tools will help us keep on defending services for the public and for our members working to provide them.

## Final recommendations

All UNISON local government and health branches should examine this report, alongside the full original Combating Austerity proposals and our toolkit and draw up a priority action plan of proposals to take up with the employers. Branches should prioritise based on local knowledge and circumstances.

For example, if your employer has answered no to some of these questions, insist they should consider proposals in those areas. Where branches have already prompted some action, chase up what is being done or ask for a review.

Contact the Bargaining and Campaigns team for further information and keep the team informed of any progress.

## Further information

- Dave Watson, Head of Policy and Public Affairs (d.watson@unison.co.uk)
- Fiona Montgomery, Information Development Officer (f.montgomery@unison.co.uk)

## Resources

- All of UNISON Scotland's Combating Austerity resources together on this link – and listed separately below  
[www.unison-scotland.org/campaigns/public-works/combating-austerity/](http://www.unison-scotland.org/campaigns/public-works/combating-austerity/)
- Combating Austerity Report  
[www.unison-scotland.org/library/CombatingAusterity\\_Sep2015-1.pdf](http://www.unison-scotland.org/library/CombatingAusterity_Sep2015-1.pdf)
- Combating Austerity Toolkit  
[www.unison-scotland.org/library/CombatingAusterityToolkit\\_Feb2016.pdf](http://www.unison-scotland.org/library/CombatingAusterityToolkit_Feb2016.pdf)
- Impact of Austerity on Scotland: damage done and routes to recovery NB: this doesn't show on the Combating Austerity page, worth doing that?  
[www.unison-scotland.org/2016/04/28/the-impact-of-austerity-on-scotland-damage-done-and-routes-to-recovery/](http://www.unison-scotland.org/2016/04/28/the-impact-of-austerity-on-scotland-damage-done-and-routes-to-recovery/)
- The damage to our public services - UNISON Scotland reports on how austerity is hitting public services and how we can protect them  
[www.unison-scotland.org/campaigns/public-works/damage/](http://www.unison-scotland.org/campaigns/public-works/damage/)
- Relaxing Borrowing Rules for Councils Ebrief  
[www.unison-scotland.org/2016/01/10/e-briefing-relaxing-borrowing-rules-for-councils/](http://www.unison-scotland.org/2016/01/10/e-briefing-relaxing-borrowing-rules-for-councils/)
- Divest/Reinvest Report – Scottish Council Pensions for a Future Worth Living In  
[www.unison-scotland.org/2017/05/09/councils-can-lead-pensions-industry-to-divest-and-re-invest-in-communities/](http://www.unison-scotland.org/2017/05/09/councils-can-lead-pensions-industry-to-divest-and-re-invest-in-communities/)
- Decision at 2017 National Delegate Conference to campaign for the divestment of fossil fuel extraction for all pension funds where we have members  
[www.unison-scotland.org/2017/06/23/save-planet-pensions-divest-fossil-fuels/](http://www.unison-scotland.org/2017/06/23/save-planet-pensions-divest-fossil-fuels/)
- Public Bodies Climate Change Reports – includes some information on renewable energy generation  
[www.keepsotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/](http://www.keepsotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/)
- Protect Our Future – our work with a range of organisations campaigning against PPP/PFI and the newer Hub and NPD PPP models  
[www.commonspace.scot/articles/10275/protect-our-future-get-involved-scotlands-campaign-sustainable-public-investment#](http://www.commonspace.scot/articles/10275/protect-our-future-get-involved-scotlands-campaign-sustainable-public-investment#)
- Report in The Herald on buying out 'eyewatering' PFI deals, 14 June 2017  
[http://www.heraldscotland.com/news/15346563.Use\\_low\\_interest\\_rates\\_to\\_buy\\_out\\_\\_\\_eyewatering\\_\\_\\_PFI\\_deals\\_\\_say\\_critics/](http://www.heraldscotland.com/news/15346563.Use_low_interest_rates_to_buy_out___eyewatering___PFI_deals__say_critics/)

**For further information contact:  
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