Private Finance I££usion

A Briefing on the Private Finance Initiative
Issued by UNISON Scotland for branches.
Spring 2008

SCOTTISH GOVERNMENT PLANNING FOR PFI-LITE

Hopes that the Scottish Government would provide a genuine alternative to the scandal of PFI/PPP were dashed when plans for the Scottish Futures Trust (SFT) were unveiled in December.

A distinct ideological shift appears to have taken place since the SNP's original proposals in opposition. The consultation document on the SFT talks of creating a huge private company to run Scottish PFI schemes.

It is only critical of standard, or 'traditional costly', PFI, which made "the most extreme and unwarranted profits". It will continue, while the SFT is under development, with PFI schemes set up as 'Non Profit Distributing' (NPD) models.

The consultation document does not even completely rule out standard PFI, saying that it may still be used where the risks in a project are deemed "exceptionally high".

This seems incredible given the highly publicised failings of so-called risk transfer in the case of the collapse of Metronet, the London Underground contractor.

UNISON Scotland has produced a briefing on the Scottish Futures Trust and will be submitting a detailed response to the consultation. In essence, we believe that the Scottish Government is simply putting a gloss of public accountability onto PFI and PPP instead of addressing the scandalous waste of public funds these policies represent.

The SFT is set to be a private limited company run on non-profit distributing principles.

It will have a membership "representative of the Scottish public interest" and will potentially operate right across the public sector, including housing, not previously part of PFI in Scotland. It will raise funds from bonds, from commercial banks and private investors, with a structure almost identical to current PFI schemes. This has the SFT vehicle designing, building, financing, operating, managing and owning the new school/hospital/other facilities created.

Councils, health boards and other public bodies would pay a charge to the SFT for use of the facilities.

By 'bulk-buying', the SFT will provide cheaper private finance than PFI procurements.

It may also provide other financial services, such as cheaper risk in-

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DELIGHT AS GLASGOW NHS REJECTS PFI FOR NEW CITY HOSPITALS

See P3

RISK TRANSFER 'UTTER FICTION'

"The bailout of Metronet, which maintained nine tube lines, exposes the utter fiction that Public Private Partnerships and PFI projects transfer risk and debt away from the public sector.

In the provision of essential public services, if a contractor fails, the taxpayer is the guarantor of last resort, no matter how the debt is classified in the national accounts.

That is the lesson of Metronet, and of earlier bailouts, such as that of British Energy and Railtrack. It is certainly the case with Northern Rock, as the Office for National Statistics has made clear by insisting that its liabilities, to the tune of £90bn, should be classified as government borrowing….

The ONS is quite right to demand that Northern Rock's debts should be on the books. Off-balance sheet accounting, notably used by US energy giant Enron, is a device that seems to make liabilities disappear. If only. The technicalities are complex, but the simple question is:

Whose money goes down the tubes if it all goes horribly wrong?

The answer with Metronet and Northern Rock is ours."

Ruth Sunderland, Business Editor,The Observer. 10 Feb 2008.

PROBLEMS WITH SCOTTISH FUTURES TRUST AND NPD PFI

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surance for some parts of projects.
UNISON is sceptical about whether such a private company can have a genuine public interest ethos.

It won't take a profit, but the banks and private firms contracted to run the services will.

Part of the reasoning for setting up the company is to keep the spending on infrastructure 'off balance sheet'.

However, the UK Government is about to move to International Financial Reporting Standards (see P4), which are likely to mean that future schemes are not allowed to remain off the balance sheet.

If so, they will count towards public spending which would cause problems for the Treasury policy, introduced by Gordon Brown as Chancellor, that says public spending must not exceed 40% of Gross Domestic Product.

The consultation document recognises this could make it hard to design an SFT which could provide the level of investment of recent years (very expensive investment that mortgages future generations) and says the proposals will be developed "in the light of the final IFRS outcome".

On NPD, UNISON has long argued that NPD models of PFI are basically window dressing. They retain the higher borrowing costs, private profit at the contractor level and elements of the risk transfer costs, all leading to the same profiteering and inflexibility inherent in PFI.

Charitable donations they make are simply recycling public money - and they retain the secrecy and accountability deficit inherent in PFI schemes.

It is universally accepted that the public sector can secure cheaper borrowing rates.

UNISON devised a set of proposals for the Scottish Government which would allow PFI/PPP to wither on the vine. These are:

- review existing contracts, with buyouts where cost-effective and not approve any new PFI/PPP contracts
- offer Scottish Government grants for new capital projects irrespective of procurement method
- give health boards prudential borrowing powers
- ensure that new procurement arrangements exclude staff from transfer and bring in a strengthened PPP staffing protocol across the public sector.

These proposals would create a level playing field whereby public bodies would, we believe, choose the cheaper conventional funding route.

They offer the real alternative to PFI.

UNISON Scotland's SFT Briefing is at:
www.unison-scotland.org.uk/briefings/briefingsft178.pdf
The At What Cost report is at:
www.unison-scotland.org.uk/comms/at whatcostoct07.pdf
The Scottish Government consultation is online at:
www.scotland.gov.uk/Publications/2007/12/19093017/0

PFI COMMENTS

"In the current economic climate, the combination of the Barnett squeeze – which will see Scotland's share of expenditure fall relative to the rest of the UK – and the affordability pressures of new PFI schemes place a big question mark over SFT. If still more of the budget intended for public services is diverted to bankers for their risk premium and expensive privatisation then more cuts to public services and closures of schools, hospitals, clinics, and other services will follow."

Professor Allyson Pollock, of Edinburgh University, on the Scottish Futures Trust.

"We explained that while it is difficult to say that any single procurement method is responsible for producing poor quality it must be recognised that the constraints imposed by PPP/PFI processes have, in many cases, stifled debate and creativity. Transferring responsibility for the quality of the finished product to those less motivated in the wider public interest makes delivering a quality school more difficult to achieve."

Raymond Young CBE, Chair of Architecture + Design Scotland (A&DS), on the organisation's briefing to MSPs for the January 08 school buildings debate.

"Doctors across the UK have raised concerns of bed shortages, financial problems, poor design, poor quality and reduced levels of care as a result of PFI… The BMA has … continually highlighted the high cost and associated low value for money of these schemes, and the transfer of public funds into private sector profits… BMA Scotland… would support a capital investment system in Scotland that enables the NHS and its staff to develop high quality services for patients in a cost effective and sustainable manner. BMA Scotland does not believe that the current PFI arrangements provide this."

BMA Scotland, response to the Finance Committee's inquiry into funding of capital investment projects.

Conference on Scottish Government's Scottish Futures Trust Consultation

Organised by the SNP Trade Union Group and Association of Nationalist Councillors

Saturday 1st March 2008, 10.30 am to 3.00 pm STUC, 333 Woodlands Road, Glasgow.

Confirmed Speakers include: **Professor Allyson Pollock**, Head of the Centre for International Public Health Policy at the University of Edinburgh; **Margaret and Jim Cuthbert**, Independent Economic Analysts; Professor **Mike Danson**, University of West of Scotland Business School; **Professor Christine Cooper**, University of Strathclyde Business School; **Professor David Miller**, Department of Geography and Sociology, University of Strathclyde; **Dave Moxham,** Deputy General Secretary, Scottish Trade Union Congress.

Free event, though pre registration would be helpful in organising lunch arrangements.

Post lunch session is only open to the conference speakers and members of the SNP Trade Union Group and the Association of Nationalist Councillors. To register contact Bill Ramsay, Secretary, SNP Trade Union Group 0141 422 1406 or william993@btinternet.com

SCHOOLS - A LEVEL PLAYING FIELD?

There will be no third wave of PPP school projects.

That was the pledge from Adam Ingram, Minister for Children & Early Years, during a Scottish Parliament debate on school buildings in January this year.

His comments in the debate suggest that the Scottish Government believes it is creating a genuine level playing field where councils will be able to use cheaper conventional funding instead of PFI/PPP.

UNISON welcomes this if it creates a situation where there are no special subsidies for, nor bias towards, PFI/PPP, whether Non Profit Distributing (NPD) or 'traditional'.

We are disappointed that the Scottish Government seems keen to maintain the options for private involvement in public services through the NPD route, during the period it is setting up the Scottish Futures Trust. UNISON has made it clear that NPD models maintain many of the problems we have highlighted in traditional PFI/PPP.

PRUDENTIAL

However, Mr Ingram said that he expected PFI/PPP to wither on the vine in future because: "Over the next three years, some £3 billion is being provided to secure investment in infrastructure at local government level, which includes schools.

"That represents a 15 per cent increase in each year of the settlement, compared with this year's figures.

"In addition, local authorities can use the prudential borrowing schemes to access private finance at a much cheaper cost than PPP, which has credit-card rates of interest.

"There will also be the Scottish Futures Trust to look forward to. Our clear intention is to provide a series of affordable options for local authorities that seek to improve schools in their areas.

I am confident that PPP will wither on the vine, as unlamented as it was unloved."

GENUINE

Dave Watson, UNISON Scottish Organiser, said:

"If this announcement means a genuine level playing field between prudential borrowing and PPP then we welcome this as a positive step.

"We now require a similar approach in other public services".

NEW GLASGOW HOSPITAL PROJECTS WILL NOT BE PFI

Health chiefs in Glasgow are proposing that the £842 million new adult and children's hospitals are built using traditional procurement.

News of the decision by NHS Greater Glasgow and Clyde that public funding will be better value than going down the PFI/PPP route is being widely welcomed across Scotland. Matt McLaughlin, UNISON Regional Organiser, said: "I am pleased that the Board have finally accepted the UNISON argument that a traditional funding model would be cheaper and more cost effective in the long term for the public purse.

"UNISON members who provide catering, portering and domestic services on site will be especially pleased because this proposal, if it is supported by the Scottish Government, will remove the inevitable spectre of privatisation that follows PFI around."

There are hopes too that NHS Lothian's plans for Edinburgh's new Sick Kids hospital will also reject PFI.

Outline Business Cases for the three hospitals are currently being submitted to the Scottish Government's Capital Investment Group. The new South Glasgow Hospital and the children's hospital, relocated from Yorkhill, along with the upgraded maternity hospital and other existing facilities will be the biggest and most modern healthcare campus in Britain. NHS Lothian's consultations with parents found strong hostility to using private finance for the new purpose-built hospital at Little France, next to the PFI Royal Infirmary and to the Simpsons Maternity Unit.

In 2006 Brian Cavanagh, the outgoing chairman of NHS Lothian, said it may not be a good idea to use PPP. Doing so could turn off public generosity and goodwill towards any fundraising campaign for the Sick Kids. In Glasgow planning permission was granted in January. NHS Greater Glasgow and Clyde says the children's hospital will open in 2012 and the acute hospital open in 2014. A spokesman said: "Having already achieved conditional outline planning permission from Glasgow City Council, NHSGGC is now required to submit a case to the Scottish Government that demonstrates affordability and value for money to the taxpayer.

New Southern General Hospital

The outline business case recommends Traditional Procurement (fully publicly funded) as the Board's preferred option after having carried out an assessment of a number of procurement models including Private Finance Initiative. This option brings in the capital costs of the project at £842 million."

Further information at: NHS Lothian www.nhslothian.scot.nhs.uk/hospitals/rhsc/

NHS Greater Glasgow & Clyde www.nhsggc.org.uk/content/default.asp?page=home_southerngeneralcampus

PFI UPDATE

UNISON'S campaign against PFI in Scotland is co-ordinated by Scottish Organiser Dave Watson. If you have news of PFI developments in your area, Dave would like to hear from you. He is based at:UNISON House, 14 West Campbell St, Glasgow, G2 6RX.Tel: 0870 7777 006 Fax: 0141 331 1203 Textphone 0141 248 3981 Email: d.watson@unison.co.uk

KEVIN DUNION WANTS FOI TO 'FOLLOW THE MONEY'

Kevin Dunion struck a key blow for freedom of information last autumn when he ordered the release of the PFI contract with Consort for Edinburgh's Royal Infirmary.

The Scottish Information Commissoner also called for a review of the organisations covered by the Freedom of Information Scotland Act (FOISA) to ensure that information 'follows the money' where public services are provided by private contractors.

This coincided with Prime Minister Gordon Brown launching a consultation on extending the scope of legislation down south to include private firms delivering public sector contracts. Mr Dunion, who has recently been re-appointed to his post for four more years, strongly criticised NHS Lothian for attempting to claim a "blanket exemption of confidentiality" on the controversial RIE contract yet providing "virtually no arguments" to justify this.

The contract is now available on the NHS Lothian website and the decision prompted NHS Lanarkshire to also release full details of their PFI contracts, including for Hairmyres and Wishaw hospitals.

UNISON has a number of Freedom of Information appeals being investigated by the Scottish Information Commissioner Kevin Dunion and is also seeking details of key hospital and schools projects from councils and health boards - such as NHS Forth Valley.

MISSING

One incredible example of the problems in obtaining information was that neither the (then) Scottish Executive, nor Scottish Water, could provide a single Full Business Case for any of the nine multi-million pound water treatment projects, with both bodies claiming they are 'not held'.

These are the documents that supposedly provided proof that using PFI for the projects was better value for money than conventional funding, yet they all appear to have gone missing.

UNISON welcomed Mr Dunion's comments on extending the FOISA to cover organisations such as housing associations and charitable trusts.

He said: "When council housing is transferred to a housing association or when a charitable trust is established to run local authority leisure and recreation services, local people and employees may find that they have lost freedom of information rights at a stroke, as these bodies are not regarded as public authorities…

"One of the key purposes of the freedom of information legislation was to allow authorities to be held to account publicly for their spending.

"However in recent investigations I have found that contracts to build schools and hospitals can run to thousands of pages, and that authorities are able to withhold these on the grounds of cost or attempt to argue that the whole contract is confidential.

REVIEW

"I think it is important that we review which bodies are covered by the freedom of information laws, and in addition take steps to ensure that information rights 'follow the money', where significant sums of public spending are concerned.

"Measures can be taken to ensure that the new trusts are publicly owned and there could be a requirement to publish PPP contracts subject to safeguarding genuinely confidential elements."

Disappointingly, at the Freedom of Information conference where Mr Dunion made his comments, Minister for Parliamentary Business Bruce Crawford implied that the Scottish Government would not extend the scope of FOISA but would seek instead to 'deepen the culture' and improve existing access and good practice with pro-active publication.

UNISON Scotland's response to the call to extend FOISA:
www.unison-scotland.org.uk/news/2007/sep-toct/2510.htm

Scottish Information Commissioner:
www.itspublicknowledge.info/home/ScottishInformationCommissioner.asp

NHS Lothian RIE contract with Consort
www.nhslothian.scot.nhs.uk/news/key_documents/rie_pfi_agreements/

NHS Lanarkshire PFI contracts:
www.nhslanarkshire.co.uk/Publications/Private+Finance+Initiative+Contracts/Private+Finance+Initiative+Contracts.htm

££ BILLIONS OF ££ POUNDS WASTED £££ ON PFI/PPP £££

A major report by UNISON Scotland last autumn confirmed that billions of pounds are being wasted on PFI and PPP projects.

An examination of key figures from official documents showed that PFI and other forms of Public Private Partnerships could be costing Scottish taxpayers £2.1 billion more than conventional funding.

The extra cost is supposedly justified by claiming that £3.5 billion of risk has been transferred to the private sector – akin to a rip-off £3.5 billion insurance policy.

Scottish Organiser Dave Watson said that ultimately the risk is borne by taxpayers, as the collapse of London Underground contractor Metronet showed.

PROFITEERING

He added: "These are just two figures from the range of ways in which private companies are profiteering at the expense of school children, hospital patients and taxpayers. Other factors include refinancing, high rates of return, the higher cost of private financing, land sales and the PFI private equity market.

"Unfortunately too often the financial figures are kept from the public due to claimed commercial confidentiality."

The full report is at: www.unison-scotland.org.uk/comms/atwhatcostoct07.pdf

UNISON Scotland's submission to the Scottish Parliament Finance Committee's inquiry into the funding of capital investment projects is at: www.unison-scotland.org.uk/response/capitalinvest.html

See page 5 for a number of other damning reports into PFI/PPP.

ROUNDUP OF PFI/PPP REPORTS

SOME PFIs 'ONE FOR THE PRICE OF TWO'

Scottish economists Jim and Margaret Cuthbert took a fine toothcomb to the financial projections for a number of PFI schemes, with dramatic results.

They believe the public sector has been making two elementary mistakes in negotiating contracts, contributing to huge profits for the private sector.

Their 2007 report **Lifting the Lid on PFI** found that the cash returns on some projects were "staggering" with inappropriate indexation meaning that with some schemes you literally get "one for the price of two".

They calculate that Internal Rates of Return (IRRs), already generous, can grossly underestimate the true scale of return to the private consortia in some PFI projects.

The Cuthberts used some information from official documents obtained by UNISON under Freedom of Information legislation, but full information is still often withheld.

PUBLISHED

Their financial analyses suggest that, as a minimum, the following two measures should be produced and published for all past and present PFI schemes

(i) the Net Present Value of the projected non-service element of the unitary charge, in comparison to the original capitalisation of the project.

(ii) the internal rate of return on equity, in conjunction with the average notional outstanding debt over the life of the project on which that IRR is projected to be earned.

They concluded: "In our view the problems with PFI are so grave that tinkering is not the appropriate approach at this stage. We would seriously suggest that there should be a moratorium on all future PFI projects, until the full facts of what has gone wrong, and why, have been established: preferably this should be done through a public enquiry.

"Moreover, if it is established that excessive and unreasonable profits have resulted from past PFI schemes, then efforts should be made to re-open them."

Lifting the Lid on PFI, published in Scottish Left Review in Nov/Dec 2007

www.slrp.co.uk/test1/index.php?option=com_content&task=view&id=64&Itemid=29

Further details at:

www.cuthbert1.pwp.blueyonder.co.uk

PROJECT CHANGES 'COST AN ARM & A LEG'

Making changes to PFI projects is costing the taxpayer millions of pounds, according to the National Audit Office (NAO).

It slammed the range of prices charged by contractors for jobs such as fitting an electrical socket or lock or key. A lock could vary between £15 and £486.

Edward Leigh, chairman of the House of Commons Public Accounts Committee, said public sector contract managers must become more 'street-wise'

He said: "Changes during a 25 - 30 year PFI contract are inevitable, but they should not be costing the taxpayer an arm and a leg as they often are.

"Consider the range in prices charged for some of the simplest of jobs. For instance, one PFI contractor charges over £300 to fit an electrical plug socket, while others charge less than £50…The public sector has allowed itself to be taken for a ride.

"It is depressing that, for one in five PFI projects, the public authorities trim the projects at the initial plan stage to save money, only to risk being stung later by the private sector contractors when things are put back into the project especially if without a competitive process."

UNJUSTIFIABLE

Dave Prentis, General Secretary of UNISON, said: "Taxpayers are paying over the odds for PFI projects that are slow, inflexible and expensive.

"This latest National Audit Office report reveals how companies continue to rake in the cash by charging unjustifiably high fees for making changes to contracts.

"These companies are abusing their position by overcharging hospitals and schools for small changes and basic maintenance.

The report Making changes in Operational PFI Projects is at:

www.nao.org.uk/publications/nao_reports/07-08/0708205.pdf

REFINANCING AND PFI EQUITY MARKET

The House of Commons Public Accounts Committee (PAC) has called for close monitoring of the PFI equity market to ensure the public interest is not being compromised.

Income from the sale of equity shares does not have to be shared with the public sector in the way that PFI refinancing deals are.

DEFERRING

The PAC's May 2007 report 'Update on PFI Debt Refinancing and the PFI Equity Market' warned that some investors might be deferring refinancing "in favour of realising gains through selling their shares in the secondary equity markets".

It made recommendations for stronger Treasury scrutiny and for it to publish annual updates on the number and value of PFI investments held by the main investors.

It also said public bodies should be more aware of their contractual rights to obtain financial information about their projects, including the current returns being achieved by investors and annual updates of financial models, setting out the investors' returns.

www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/158/158.pdf

METRONET LESSONS TO BE LEARNED

The House of Commons Transport Committee has said the imposition of the London Underground PPP by the UK Government is what led to the "lamentable state of affairs" with the collapse of contractor Metronet.

It concluded that "whatever the potential inefficiencies of the public sector, proper public scrutiny and the opportunity of meaningful control is likely to provide superior value for money.

"Crucially, it also offers protection from catastrophic failure.

"It is worth remembering that when private companies fail to deliver on large public projects they can walk away - the taxpayer is inevitably forced to pick up the pieces."

www.publications.parliament.uk/pa/cm200708/cmselect/cmtran/45/45.pdf

KEY RESEARCH

The Centre for International Public Health Policy at Edinburgh University has published important research on PFI in Scotland.

All their reports are online at: www.health.ed.ac.uk/CIPHP/

£7 billion of PFI/PPP contracts

The total value of PFI/PPP contracts in Scotland, as listed by the Scottish Government, was nearly £7 billion at the start of February 2008.

A total of £5.6 billion of operational and signed deals are listed on the Financial Partnership Unit website.

This includes capital values of £1.1 billon worth of hospital contracts and £3.3 billion worth of schools projects.

(However, this does not include the figure for Addiewell prison, which is withheld as being commercially confidential. Also, a small number of lower value NHS contracts which have been listed before, were removed from the list as they were not deemed to be PFI projects after all.)

Future deals total £1.3 billion in capital value, broken down into six hospital projects worth £306m, four schools deals worth £232m, three roads deals worth £680m and two waste management projects valued at £94.3m.

The hospital projects include developments in Fife, Midlothian and Forres. And NHS Tayside has just named three shortlisted bidders for a Non Profit Distributing model of PPP to provide a £100 million mental health development project at Murray Royal Hospital, in Perth, and at Stracathro Hospital in Angus. It is not expected to involve any staff transfers.

SCHOOLS

Since coming to power, the new Scottish Government has approved seven schools PFI/PPPs.

These are in **East Dunbartonshire, West Lothian, Perth and Kinross, Dumfries and Galloway and West Dunbartonshire**.

Two projects involve non-profit-distributing organisations. These are in **Falkirk and Aberdeen**.

The schools projects on the future deals list are being planned in Orkney, Moray, Inverclyde and the Western Isles.

UNISON welcomed the announcement last year that new prisons at Bishopbriggs and Peterhead will be publicly operated.

However, Addiewell, in East Lothian, will be privately run.

A list of the timetable for the schools PPP programme and details of 'done' and future deals are at:
www.scotland.gov.uk/Topics/Government/Finance/18232/12308

SELECTED SNIPPETS

Moray Council is to save council taxpayers around £250,000 annually by bringing schools ICT support in-house when the PFI contract ends in July. Alan Kirkwood, head of ICT services, said the ICT section in the council will provide a quality support service to the 54 primary and secondary schools.He said that PFI in the 1990s had been the only option available to fund the investment needed and a large subsidy was provided. But now ICT projects are not considered suitable for PFI.

Civil servants from Scotland have spent more than £10,000 promoting PFI at conferences abroad. Fourteen trips since 2002 ran up a bill of £10,551, including nearly £4,000 for five civil servants to attend the fifth annual PPP global summit in Prague.

A Scottish housing association is proposing building a primary school as part of a Public Community Partnership PPP. Cordale Housing Association's plans for Renton, in West Dunbartonshire, would finance the building through loans and lease the school back to the local council. However, UNISON said the Non Profit Distributing model of PPP proposed is more expensive for the council than using prudential borrowing to finance capital.

Health Secretary Nicola Sturgeon has set a cap on charges for hospital car parking of £3 per day. However, it is unclear exactly when and how this will be applied to PFI hospitals where private contractors set parking rates. Meanwhile spaces in the Glasgow Royal Infirmary car park are for sale, despite low paid staff being unable to afford the £52 a month charges. The PFI contract and planning regulations stipulate a percentage of spaces being available to the public.

The independent scrutiny panel which lcriticised NHS Lanarkshire's plans to close Monklands hospital's A&E heard a large number of concerns during its consultation exercise that the high costs of the PFI hospitals at Wishaw and Hairmyres had influenced decision-making. Monklands A&E will now be retained.

The Fire Brigades Union has asked Health Secretary Nicola Sturgeon to look into why NHS Forth Valleydoes not see sprinklers as necessary for the new £300m Larbert PFI hospital.

SCHOOLS PFI RE-FINANCED

Glasgow's massive schools PFI project is the latest to be refinanced.

The Bank of Scotland has made nearly £20 million from the February 08 deal. But taxpayers will receive just £8 million, less than a third of the total gains, despite newer contracts requiring a 50% share.

It follows a recent sale of a stake in Hairmyres Hospital, in East Kilbride, and last year's refinancing of the Royal Infirmary of Edinburgh project.

Glasgow's schools were renovated in a £225m contract with 3Ed, a consortium owned by the Bank of Scotland (HBOS), John Laing plc and Secondary Market Infrastructure Fund.

The Bank of Scotland has refinanced their £177 million senior debt package, of the total remaining £277 million debt. The City Council receives a 30% share, based on the HM Treasury voluntary code on refinancing.

The Glasgow deal was signed eight years ago. More recent PFI projects share the proceeds of refinancing equally between the public and private sector partners.

HOSPITALS

Kier Group announced in February 2008 that it had made a 500% return on its investment in the Hairmyres Hospital PFI project. It sold its 50% share to Innisfree M&G PPP fund for £13.8 million in cash. This is on top of £2.2 million of deferred profit from an August 2004 refinancing.

The Hairmyres contract was signed in March 1998.

Last summer a refinancing of the contract with Consort for the RIE saw NHS Lothian receive nearly £32 million, which was taken as a lump sum and reductions in unitary charge payments.

Tom Waterson, Chair of UNISON's Scottish Health Group and Lothian Health Branch, said at the time: "The reduction of just over £1m per year in payments still leaves the public paying around £45m per year – when the original contract was for £30m!!"

N*B: UNISON at UK level produces a monthly Positively Public bulletin with lots of PFI/PPP nws. Current and past issues are available at www.unison.org.uk/positivelypublic/ppbriefing.asp*