Cabinet Secretary for Health and Sport

NINEWELLS HOSPITAL PFI CAR PARK – POTENTIAL BUYOUT

Purpose

1. A Labour Party press release issued on 19 January 2018 stated that: '*Labour MSP Jenny Marra will bring forward a Bill at Holyrood in the coming weeks which will see car parking charges ended at Dundee's Ninewells Hospital as part of a party shift to end the private finance deals in Scotland NHS*.' Hospital car parking changes are currently in effect at three PFI car parks – Ninewells Hospital, the Royal Infirmary of Edinburgh (RIE) and Glasgow Royal Infirmary (GRI). This paper provides an update on the contract and tenant positions on buyout, along with updated estimated costs for ending car parking charges at each of the three sites.

Priority

2. Routine.

Background

3. Following a change in Government policy, car parking charges were abolished at most NHS hospital car parks from 31 December 2008, saving patients, visitors and staff over £33 million since the abolition. However, the principle is not enshrined in law and due to contractual arrangements for the three PFI car parks, parking charges remain at those sites.

4. It is expected that action resulting in the removal of car parking charges at Ninewells would result in calls for the same to be applied to the other two sites.

5. There are three options for ending car parking charges at the three car parks – agree a buyout, compensate the provider annually for expected income or introduce a Bill that aims to stop the private company from charging for parking.

Summary

6. The table below summarises contract and tenant position on early termination, along with updated estimated minimum costs for ending car parking charges:

Car park	Contract provision for early termination?	Buyout cost £m; lost income £m	Annual compensation £m (total for contract)	Provider has expressed interest in termination?
Ninewells	No	£8.0; £2.7	£22.0	No
GRI	Yes	£18.0; £0	£32.0	Yes
ERI	No	£10.0; £2.7	£19.8	No
	Total	**£41.4**	**£73.8**	

Where the contract does not provide for early termination, agreement would be via negotiated settlement, meaning actual costs could be much higher.

The payment profile for annual compensation would be £6 million per annum, decreasing by £2 million per annum per site as each contract expires.

Contract Position – Ninewells (end date 2029)

7. It was previously thought that the contract provided for voluntary termination, providing the Health Board paid the tenant compensation. Subsequent CLO review concludes that there is no such contractual provision and any exit and corresponding level of compensation would be agreed via negotiated settlement.

8. Costs are estimated at £8 million for buyout and £22–25 million to compensate the provider for car parking charges on an annual basis, at £2–2.5 million per year. However, the

absence of provision for early termination in the contract puts the tenant in a strong position and any negotiated settlement could be much higher.

9. On buyout, the Health Board would also lose income of ~£0.27 million per annum from income sharing and service charge agreements relating to the car park.

10. Indigo Park Services UK Limited (tenant) has not expressed an interest in buyout. A meeting will be held between NHS Tayside and Indigo on 15 August and it is recommended that Alan Morrison attends on behalf of the Scottish Government.

Contract Position – GRI (end date 2034)

11. Health Facilities Scotland's (HFS) review of the contract confirms that there is provision for early termination which includes a formula for calculating compensation for buyout.

12. The estimated buyout figure was previously calculated as £10 million, based on expected profit for the remainder of the contract. However, based on the calculation terms set out in the contract, HFS estimates buyout cost at £18–20 million. The estimate cost to compensate the provider for car parking charges on an annual basis is £32 million, at £2 million per year

13. The tenant, Impregilo Parking Glasgow Limited, has expressed an interest in buyout.

Contract Position – RIE (end date 2027)

14. There is no right to buyout in the contract. In addition, the contract at NHS Lothian is part of the wider RIE contract making any buyout of this one part of the contract more complex. NHS Lothian is seeking further legal opinion on the contractual position with respect to car parking.

15. Reliable estimates are difficult to establish due to the complexity of the contract. Estimates of around £10 million for buyout and £18–19.8 million (£2–2.2 million per year) are thought reasonable based on previous analysis completed by NHS Lothian.

16. NHS Lothian has made previous attempts to reach agreement with the tenant, Consort Healthcare, on the car parking and traffic control service part of the wider contract. Consort's stated position is that this part of the contract cannot be bought out as this would compromise previous refinancing arrangements that the Board benefited from

Recommendations and Approvals

17. The Cabinet Secretary is invited to note the position above. In summary, we do not think it advisable to attempt to eliminate car parking charges at the three PFI NHS hospitals as:

- There is limited Scope for voluntary termination of the Ninewells and ERI contracts and for all three contracts the likely cost of termination is prohibitive.
- Considering the challenges around affordability and value for money, and the impact on other capital projects that would have to be deferred, it is difficult to demonstrate that buying out the contracts is a realistic or desirable option.
- Though a Parliamentary Bill could be introduced to eliminate parking charges, we would expect a legal challenge to be undertaken and it could destabilise companies providing these services.

18. The Cabinet Secretary is asked to approve Alan Morrison's attendance at the 15 August meeting with Indigo and NHS Tayside.

Alan Morrison

Commented [Z1]: 2034 per prev paper but 2035 per HFS

Commented [Z2]: Have left as your estimate. HFS estimate is £22m based on £1.3m income pa (for 17 yrs) from a financial model on GG&C website – but there is an action for GG&C to confirm income level

Commented [Z3]: Have used your figure of £2m per year and HFS fig of £2.2m per year for 9 years. In the last paper you'd noted £68 million in total – based on 34 years

Health Finance and Infrastructure
2018

Cabinet Secretary for Health and Sport

NINEWELLS HOSPITAL PFI CAR PARK – POTENTIAL BUYOUT

Purpose

1. A Labour Party press release issued on 19 January 2018 stated that: '*Labour MSP Jenny Marra will bring forward a Bill at Holyrood in the coming weeks which will see car parking charges ended at Dundee's Ninewells Hospital as part of a party shift to end the private finance deals in Scotland NHS.*' Hospital car parking changes are currently in effect at three PFI car parks – Ninewells Hospital, the Royal Infirmary of Edinburgh (RIE) and Glasgow Royal Infirmary (GRI). This paper sets out the main options available for all three.

Priority

2. Routine.

Background

3. Following a change in Government policy, car parking charges were abolished at most NHS hospital car parks from 31 December 2008, saving patients, visitors and staff over £33 million since the abolition. However, the principle is not enshrined in law and due to contractual arrangements for the three PFI car parks, parking charges remain at those sites.

4. There are three options to '*see car parking charges ended at Dundee's Ninewells Hospital*' – agree a buyout, compensate the provider annually or introduce a Bill that aims to stop the private company from charging for parking.

5. It is expected that any action resulting in the removal of car parking charges at Ninewells would result in calls for the same to be applied to the other two sites.

6. In 2008, then Labour MSP Paul Martin proposed the NHS Parking (Scotland) Bill, in part to extend free parking to all NHS facilities, including the three PFI car parks. The proposal would have enshrined the principle in law but it did not gain sufficient support and fell in October 2009.

Key Points to note

7. The paper provides more detail on the points below, but the main issues to highlight are:
   - While the Labour Party's release focusses on Ninewells, it is expected any removal of charges at Ninewells would result in demands for the same at RIE and GRI.
   - The estimated minimum cost of buying out the Ninewells car parking PFI contract is **£8 million,** with a further cost of **£10 million** for **each** of the other two car parks. However, as there is no contractual right to buyout for Ninewells or ERI, and it is not know if there is such a right for GRI, the cost could be much higher as any agreement would be via negotiation.
   - An alternative to a buyout is to compensate the provider on an annual basis equal to their expected level of income from charges at all three car parks. The estimated cost is **£2 million per year per car park**, subject to agreement and negotiation.
   - Ending car parking charges provides a benefit to patients, visitors and staff, but does not represent value for money as there is no financial benefit to the public purse;
   - Even if value for money (VFM) could be demonstrated, due to constraints on the Health capital budget, other capital investment projects would need to be displaced;
   - A Parliamentary Bill could be introduced to remove the right to charge without buyout or compensation, but legal challenge would be likely and it could prove destabilising to the wider economy.

Contract Position - Ninewells

8. The Ninewells car parking contract is a lease of the car park from the Health Board to Vinci Park Dundee Ltd. It is for 30 years and ends on 5 May 2029. Based on average profit and duration of the contract, the estimated minimum buyout cost is **£8 million.** Previous contract

review had indicated a possibility that the contract could be ended early, provided the Health Board pays the tenant compensation; however, subsequent CLO review has concluded that there is no contractual provision for exit and that any exit and corresponding level of compensation would be a matter for negotiation.

Contract Position - GRI

9. The GRI contract has not been reviewed in detail; however, we understand that it has provision for buyout. The contract started in 2004 and lasts for 30 years. The income and expenditure is similar to the Ninewells contract, but the contract has an extra 5 years' to run and the estimated buyout figure is **£10 million**.

Contract Position - RIE

10. The contract at NHS Lothian is part of the wider RIE contract and reliable estimates are difficult to establish. NHS Lothian previously considered this option in 2008 when the indicative compensation payment was estimated by Consort as circa £15 million. However for the RIE contract, there is no right to buyout the contract, so it would be a negotiated settlement which may end up being significantly in excess of a Net Present Value calculation. Of the three contracts, this is the most difficult to calculate, but given the passage of time since the previous estimate, a reasonable assumption would be a cost in the region of **£10 million**.

Cost and Affordability

11. If the Scottish Government decided to buyout the Ninewells Car parking contract, it is likely that there would be calls to treat the other two contracts in the same manner. It is estimated that to buyout all three contracts would cost the Scottish Government in the region of **£28 million**, but the final sum could be higher. There is no scope within the current Health capital budget to fund these costs.

Value for Money

12. Scottish Futures Trust has looked at the Value for Money (VFM) of buying out PFI contracts across the public sector and provided a report last year to the Cabinet Secretary for Finance and the Constitution. They concluded that a high-level analysis suggests a broadly neutral quantitative long-term VFM case which could swing either way on a case by case basis.

13. A car park buyout presents unique issues. For a normal buyout, an upfront payment leads to savings over a longer period as monthly unitary payments are avoided. For car parks, the savings do not accrue to the Health Board but to patients, visitors and staff via avoidance of parking charges; this makes it more difficult to justify a buyout from a VFM perspective.

Alternative option

14. One alternative option would be to approach each car park provider and offer to compensate on an annual basis in return for eliminating car parking charges. While there is no contractual right to follow this option, if the Scottish Government offered an amount which matched their expected income of £2 million per year, then this could be seen as an attractive option to the provider. We anticipate that this would cost in the region of **£6 million** per year for the next 11 years, reducing thereafter as each of the contracts expire.

13. For each site, this would mean £2 million per year: **~£22 million** for Ninewells over 11 years; **~£32 million** for the GRI over 16 years and **~£68 million** to RIE over 34 years.

Eliminate the right to charge for parking

15. An alternative to buying out the contracts would be to introduce a Parliamentary Bill which removed the ability of the contractors to charge for parking. Any Scottish bill which sought to stop the company charging for parking would have to be within devolved competence and it would have to comply with the European Convention on Human Rights. If the Parliament were to take away the right to charge without providing compensation this could be challenged in the courts. It is difficult to know how these companies would react, but given the material amounts of money involved, the expectation would be that they would undertake court action.

16. More generally we would need to consider the potentially destabilising impact on companies that provide PPP/PFI type services. While car parking contracts are different to normal PFI/PPP type contracts (income comes from car parking charges rather than a monthly unitary payment), the companies providing these services may not appreciate that distinction and may be concerned that we look to eliminate payments for other PFI assets. For context, next year the Scottish Government is forecast to spend over £1 billion on unitary payments to private contractors for PFI/PPP contracts.

Recommendations

17. The Cabinet Secretary is invited to note the position above. In summary our position is:

- Considering the challenges around affordability and VFM, it is difficult to demonstrate that buying out the contracts is a realistic option;
- We would also question the VFM of eliminating car parking charges and paying the amounts noted in paragraph 13 above;
- Though a Parliamentary Bill could be introduced to eliminate parking charges, we would expect a legal challenge to be undertaken and it could destabilise companies providing these services.

18. Given the options, we do not think it advisable to attempt to eliminate car parking charges at the three PFI NHS hospitals.

Alan Morrison
Health Finance and Infrastructure
04 July 2018

From: News Desk <Newsdesk@gov.scot>
Sent: 8 Feb 2019 9:37 pm
To: Cabinet Secretary for Health and Sport <CabSecHS@gov.scot>
Cc: News Desk <Newsdesk@gov.scot>; Communications Healthier <CommunicationsHealthier@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)], [REDACTED – PERSONAL INFORMATION (S38(1)(B)]>; "McCallum R (Richard)" <Richard.McCallum@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)], [REDACTED – PERSONAL INFORMATION (S38(1)(B)] DG Health & Social Care <DGHSC@gov.scot>; Chief Medical Officer <CMO@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)], "Morrison A (Alan)" <Alan.Morrison@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]
Subject: RE: FOR CLEARANCE: MEDIA ENQUIRY: Ninewells parking for The Courier

PO,

I require urgent clearance please.

[REDACTED – PERSONAL INFORMATION (S38(1)(B)]

From: [REDACTED – PERSONAL INFORMATION (S38(1)(B)]
Sent: 08 February 2019 17:36
To: Cabinet Secretary for Health and Sport <CabSecHS@gov.scot>
Cc: News Desk <Newsdesk@gov.scot>; Communications Healthier <CommunicationsHealthier@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; McCallum R (Richard) <Richard.McCallum@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; DG Health & Social Care <DGHSC@gov.scot>; Chief Medical Officer <CMO@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; Morrison A (Alan) <Alan.Morrison@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]
Subject: FOR CLEARANCE: MEDIA ENQUIRY: Ninewells parking for The Courier

PS, Cabinet Secretary for Health and Sport

BACKGROUND

The Courier has some calculations from [REDACTED – PERSONAL INFORMATION (S38(1)(B)], senior researcher and analyst at the Scottish Parliament, about what it would cost the Scottish Government to get out of the Ninewells car-parking contract, as the operator Saba Park looks at increasing charges.

He's asking how accurate they are, and is this something SG will look into? The headline figures are highlighted in the enquiry below…

Spads and policy officials have agreed the following lines.

Is Ms Freeman happy for us to issue, please?

[REDACTED – PERSONAL INFORMATION (S38(1)(B)]
Senior media manager
Newsdesk
Scottish Government
0131 [redacted]

THE LINES

A Scottish Government spokesperson said:

"We have been clear that we would like to be able to abolish car park charges at Ninewells – as this government has done in other hospitals across Scotland - but unfortunately it is one of three car parks which are locked into long-term PFI contracts which precede this government.

"We have previously raised concerns about moves to increase these charges and called on the company involved to reconsider.

"Last year the Scottish Government and Health Facilities Scotland sought, through NHS Tayside, to engage with the company that operates the Ninewells car park to discuss its position regarding the contract and explore options that may be available.

"Sadly, the company declined this approach. However, we remain open to discussing this matter further with them in the interests of patients, their families, and NHS staff.

"We have ensured through the funding mechanisms we use to deliver new projects that charging for hospital car parking is not permitted. We have been clear with health boards that we expect them to work with their PFI contractors to ensure that any charges in place are kept to a minimum. We expect all PFI contracts to be kept under review to ensure best value for the public purse."

Background:

- Hospital parking is free in all NHS-owned car parks in Scotland.
- Since charges at NHS car parks were abolished in 2008 it is estimated that patients, visitors and staff have saved more than £35 million.
- Charges are still applied at three car parks where parking contracts were agreed under private finance initiatives (PFI)
- The Scottish Government is unable to change these contractual arrangements which were signed under a previous administration.

========== the enquiry ==========

From: [REDACTED – PERSONAL INFORMATION (S38(1)(B)]
Subject: Ninewells parking

Here is some of the info about parking in Ninewells, and how much the economist Richard Marsh estimates it would cost the government to get out of the contract. I'll copy and paste the relevant comments below.

You said on the phone it would be the hospital (I assume you meant NHS Tayside) for comment, but we have run several stories on this situation and it's always the government who comment, because it's the government who have the contract with Saba Park Services (formally Indigo). Admittedly, it's not the current government who brought in the contract, but still…

Are the numbers, from economist Richard Marsh, calculated in the right area; how much does the government think it would cost to get out of the contract? Is it something the government will look into?

We're planning to run this in Monday's paper, so a comment at some point over the weekend would be great (although with it being the weekend you may have to get it to me today on your end).

"SABA's accounts filed at Companies House as at December 2017 show that its profits increased by nearly 500% in the last accounting year for which figures are available. Assuming around 80% occupancy over 360 days for the public spaces only, then income over 10 years at £2.40 per day would be around £10 million. But that's gross income, not the operating profit. The SABA accounts show that overall profits are around 6% of turnover (after tax) so at Ninewells they might make around £600,000 profits after tax over the remaining term. Therefore you could make an argument that the lease could be bought for less than £1 million. So, not the "tens of millions of pounds" figure bandied about so loosely 10 years ago, and I would argue eminently affordable for the Scottish government to buy out if it so chose."

Regards,
[REDACTED – PERSONAL INFORMATION (S38(1)(B)],
Reporter
The Courier, Meadowside
[REDACTED – PERSONAL INFORMATION (S38(1)(B)]
[REDACTED – PERSONAL INFORMATION (S38(1)(B)]@thecourier.co.uk

Health Finance Directorate
[redacted]

Scottish Government
Riaghaltas na h-Alba
gov.scot

Mr [REDACTED – PERSONAL INFORMATION (S38(1)(B)]
By email: [REDACTED – PERSONAL INFORMATION (S38(1)(B)]

Your ref: FOI Request
Our ref: FoI/19/00417

Feburary 2019

Dear Mr [REDACTED – PERSONAL INFORMATION (S38(1)(B)],

REQUEST UNDER THE FREEDOM OF INFORMATION (SCOTLAND) ACT 2002 (FOISA)
Thank you for your request dated 4 February 2019 under the Freedom of Information (Scotland) Act 2002 (FOISA).

Your request

You asked:

- Can you please tell me how much it would cost the Scottish Government to get out of the Ninewells Hospital parking contract with Indigo early?
- Are there other options to get out of the contract early?
- Are you able to send me a copy of the contract as well?

Response to your request

While our aim is to provide information whenever possible, in this instance the Scottish Government does not have the information you have requested. The reasons why we don't have the information are explained in the Annex to this letter.

Your right to request a review

If you are unhappy with this response to your FOI request, you may ask us to carry out an internal review of the response, by writing to Christine McLaughlin, Director of Health Finance, St Andrew's House, Regent Road, Edinburgh, EH1 3DG or by email to Christine.McLaughlin@gov.scot. Your review request should explain why you are dissatisfied with this response, and should be made within 40 working days from the date

when you received this letter. We will complete the review and tell you the result, within 20 working days from the date when we receive your review request.
If you are not satisfied with the result of the review, you then have the right to appeal to the Scottish Information Commissioner. More detailed information on your appeal rights is available on the Commissioner's website at:
http://www.itspublicknowledge.info/YourRights/Unhappywiththeresponse/AppealingtoCommissioner.aspx.

Yours sincerely,

[redacted]

[redacted]
Directorate of Health Finance

ANNEX

REASONS FOR NOT PROVIDING INFORMATION

The Scottish Government does not have the information

The Scottish Government does not have the information you have asked for because:

The Scottish Government and Health Facilities Scotland have sought, through NHS Tayside, to engage with the company that operates the Ninewells car park to discuss its position regarding the contract and explore options that may be available, but this approach was declined.

The contract is between NHS Tayside and the car park provider and is not held by the Scottish Government

This is a formal notice under section 17(1) of FOISA that the Scottish Government does not have the information you have requested.

INFRASTRUCTURE INVESTMENT UNIT - CORE BRIEF

Contents

FACTS & FIGURES

Capital Investment

- **We are maximising our capital spending and supporting an investment led recovery.** Despite some increases in conventional capital budgets announced in the UK Autumn Statement in November 2016 and the UK Spring Budget on 8 March 2017, our Capital DEL budget in 2020-21 will still be 6.3% lower in real terms than it was in 2010-11.

- **We are using all levers at our disposal to maximise investment and support economic growth** and our spending plans will ensure spending is targeted as effectively as possible.

  - **In 2017-18 our total capital investment of £4 billion includes a combination of** our capital budget, borrowing powers, revenue funded investment through Non-Profit Distributing / hub programme, Regulatory Asset Base (RAB) rail enhancements and capital receipts.

  - **Our £4 billion of investment will support around an estimated 30,000 full time equivalent jobs.**

Major Infrastructure Priorities

- **We have sought to maintain continuity of investment plans** by supporting major infrastructure priorities such as the:

  - **Forth Replacement Crossing (£1.325bn-£1.35bn)** which at its peak it has directly supported 1,287 jobs;

  - **Scotland's Schools for the Future Building Programme (£1.8bn)** which will deliver 112 new or refurbished schools by end March 2020 and which is estimated to support on average approximately 1500 jobs at any one time throughout the duration of the programme; and

  - **Aberdeen Western Peripheral Route / Balmedie Tipperty project (£745m)** at its peak construction will support around 1,500 jobs.

  - **Edinburgh Glasgow Improvement Programme EGIP (£795m)** construction is currently supporting around 600 jobs.

  - **M8 M73 M74 Motorway Improvements Project (£439m)** construction is currently supporting 750 jobs with over 1,000 jobs at peak times during the project.

  - **NHS Dumfries & Galloway's Acute Services Redevelopment Project (£275.5m)** at its peak construction will support around 750 jobs.

- **NHS Lothian' Royal Hospital for Sick Children / Department of Clinical Neurosciences (£230.1m)** at its peak construction will support around 500 jobs.

Other Investment

- **In addition, we continue to facilitate investment by others such as:**

  - House builders/associations through **National Housing Trust** with over 2,000 affordable rented homes approved and more than 1,000 homes completed to date.

  - Local authorities through **Tax Incremental Financing** with three projects worth £167 million in Glasgow, Falkirk and Argyll & Bute now in construction; and the **Growth Accelerator** model which unlocked £1 billion of investment in St James Quarter, Edinburgh as well as a £63.8m Dundee's Waterfront package agreed with Dundee City Council.

  - SG remains absolutely committed to working with all our Cities to unlock investment and is a full partner in the **Glasgow & Clyde Valley City Deal**, the **Aberdeen City Region Deal** and the **Inverness City Deal** (contributing £500m, £125m and £135m respectively to each deal).

Public Sector Investment

- **It is estimated that each additional £100m of public sector capital spending in 2017-18** supports approximately 800 full time equivalent Scottish jobs, around half of which are are in construction.

KEY EVENTS / ANNOUNCEMENTS

(within last year)

- 10 May 2017 - Transport Scotland intends to award a contract to construct the **A737 Dalry Bypass** project in North Ayrshire, subject to a mandatory standstill period. These complex works will include the construction of a four kilometre bypass, which will consist of two roundabouts, at Hillend and Highfield, and a viaduct to enable road users to travel over the River Garnock and the Glasgow to Ayr railway line. Works are also required to connect the new Bypass to the existing A737 Trunk Road east of Highfield. Much of the construction works will take place away from the existing road and traffic management measures will be kept to the minimum necessary in order to safely complete these critical works. Over the past few months, preparatory works have been undertaken on the site including archaeological investigations, fencing and vegetation clearance. The award of this contract, subject to the mandatory standstill period, enables the main works contractor to finalise its designs and establish a base on site before it can begin the main construction works in the coming weeks.

- 10 May 2017 - Details of how more than **£43 million is being invested in low-carbon infrastructure** were announced by the First Minister. Shared across 13 projects throughout Scotland, this investment represents one of the largest direct energy investments in the last 10 years. The funding, awarded by the Low Carbon Infrastructure Transition Programme (LCITP), will be matched by a minimum of £43 million from private and public sector partners. Projects include an innovative local energy system on Fair Isle, an energy storage project in Shetland, low-carbon heat networks in Dundee, Stirling, Clydebank and Glenrothes and the installation of a heat pump on the River Clyde to serve the Gorbals area. LCITP is a collaborative partnership led by the Scottish Government, working with Scottish Enterprise, Highlands and Islands Enterprise, Scottish Futures Trust and Resource Efficient Scotland. It focuses on the acceleration of low carbon infrastructure projects across public, private and community sectors, helping them to create investment business cases and secure capital finance from public and private sources. The programme is supported by the European Regional Development Fund.

- 12 April 2017 - Financial close has been reached on **NHS Greater Glasgow and Clyde's Gorbals and Woodside health and care centres**, signalling over £35 million investment in health and social care infrastructure. The new Gorbals Health and Care Centre will house NHS services including GP surgeries, social services, treatments rooms and community space. The Woodside Health and Care Centre will provide GP surgeries, dental, physiotherapy and adult day services, alongside community services such as health visiting, district nursing and the older people's team and home care. The projects form part of the SG's revenue funded NPD/hub investment programme.

- 3 April 2017 – Four design consultancies or Joint Ventures are to be invited to bid for the contract relating to the **A96 Dualling programme** for a 26 mile stretch of the A96 from east of Huntly to Aberdeen**.** This is the eastern section of the Scottish Government's ambitious programme to dual the A96 from Inverness to Aberdeen

by 2030. The contract, worth up to £50 million, is expected to be awarded later in 2017

- 24 March 2017 – **NHS Orkney's New Hospital and Healthcare Facilities project** (£72.3m) reached financial close. The project is the biggest in NHS Orkney's history and will see the development of a purpose built facility to replace the existing Balfour Hospital in Kirkwall, two GP practices and the Public Dental Service. Construction is estimated to commence towards the end of April.

- 11 March 2017 – A **£15 million investment** in the development of infrastructure is expected to unlock significant levels of private sector funding. Applications by Fife and North Ayrshire Councils through the **Tax Incremental Financing scheme (TIF)** have been approved with the councils now set to work with the Scottish Futures Trust on more detailed businesses cases. The Fife application for £10 million in the Fife Interchange distribution and business park development will help to develop 22 hectares of land and is expected to provide leverage for private sector investment of £75 million to £100 million. The £5 million North Ayrshire Council application will be used to construct roads and services within the i3 Irvine, Innovation and Industry Park with the potential to facilitate up to 26 square meters of industrial buildings. The TIF is expected to bring wider economic benefits of around 400 additional jobs, securing existing jobs and investment in the new region and promoting the life sciences hub in Irvine.

- 2 March 2017 - The Prior Information Notice (PIN) for the construction contract for the 9.5km section of the **A9 between Luncarty to Birnam** has been published with work to deliver this £100 million scheme expected to start by the end of this year. A Contract Notice is expected to follow in the coming weeks and significant progress is now being made across the A9 Dualling programme and is tangible evidence of the Scottish Government's commitment to upgrade this important road linking central Scotland to the Highlands and Islands.

- 16 February 2017 - A major milestone has been reached on the **M8 M73 M74 Motorway Improvements Project (£439m)** with the opening of the new Raith Underpass, at Junction 5 of the M74. Scottish Roads Partnership (SRP) began construction of the project on behalf of Transport Scotland in February 2014, upgrading the A8 between Glasgow and Edinburgh to complete the 'missing link'. In addition, major improvements got underway on the M73, M74, and A725, and the strategic junctions which connect these three routes – the most significant of which is Raith. Once complete, the project will significantly reduce congestion across the central Scotland motorway network, and improve travel time reliability on the main route between Glasgow and Edinburgh. The project forms part of the SG's revenue funded NPD investment programme.

- 30 January 2017 - The £315 million **Inverness and Highland City-Region Deal** was formally signed sealing the Deal for the release of funding for a number of business cases. The Heads of Terms document for the Deal, worth £315 million, was signed in March 2016, paving the way for business cases to be submitted to the UK and Scottish Governments for approval. The City-Region Deal sets out the areas where the Scottish Government will commit investment of up to £135m and the UK Government will commit investment of up to £53.1m, which, together with

£127m of further investment by the Council and partners, will deliver a step change in digital connectivity, digital healthcare, skills, innovation and infrastructure.

- 27 January 2017 – Firms have been invited to bid for a multi-million pound roads contract relating to the **A96 Dualling programme.** Design consultancies are being invited to bid for the contract relating to 26 mile stretch of the A96 from east of Huntly to Aberdeen which is expected to be awarded later in 2017. The contract covers the eastern section of the Scottish Government's ambitious programme to dual the A96 from Inverness to Aberdeen by 2030. The design work for the Inverness to Nairn (including Nairn Bypass) scheme is well advanced with draft Orders published in November 2016. In addition, route option design and assessment work for the western section, covering the stretch between Hardmuir and Fochabers is now underway and we expect to let locals and road users comment on options for the route later this summer. This major contract marks a further milestone towards the dualling of the A96.

- 23 January 2017 – Key partners involved in the development of NHS Forth Valley's **Stirling Care Village (£35m)** got together to cut the first sods to mark the start of construction. The project which forms part of the SG's revenue funded NPD/hub investment programme is a joint venture between NHS Forth Valley, Stirling Council, Forth Valley College and Scottish Ambulance Service to meet the needs of the local community incorporating health and social care along with leisure, recreational, commercial and educational facilities. The majority of facilities are expected to be completed by autumn 2018 with the ambulance station and final site works completed by autumn 2019.

- 22 December 2016 - **NHS Lothian's Redevelopment of Royal Edinburgh Hospital Campus - Phase 1 (£49m)** has taken a major step forward with the keys to the facility being handed to the health board in time for Christmas. Preparations are underway to start a rolling programme of service relocations to the new facilities and will see staff moving into their new surroundings throughout the first half of 2017. Phase one of the campus redevelopment includes the Royal Edinburgh Building, a facility providing services for the adult acute mental health inpatient service, older people's mental health assessment unit, Intensive Psychiatric Care Service (IPCU) and the new Robert Fergusson national brain injury unit. The project forms part of the SG's revenue funded NPD/hub investment programme.

- 14 December 2016 - Major progress on the next section of the **A9 dualling programme** has taken place with the publication of Road Orders for the section between **Luncarty and the Pass of Birnam**. The procurement process for the main construction contract will commence in 2017 with work starting on the ground towards the end of 2017. Next summer will see the first section to be dualled between Kincraig and Dalraddy open to traffic and with design work ongoing across the programme.

- 15 December 2015 - **Draft Budget for 2017-18** was published with around **£4 billion is to be invested over the next year in infrastructure**. This includes a total investment in new and existing infrastructure projects to support sustainable economic growth including:
    - completing the Queensferry Crossing;

- over £470 million of direct capital investment to begin delivery of 50,000 affordable homes;
- over £140 million for Energy Efficiency programmes to help us deliver our climate change targets;
- over £100 million investment in digital and mobile infrastructure, to improve digital connectivity, grow Scotland's digital economy and increase digital participation, including support for our commitment to deliver 100 per cent broadband access by 2021.

- 14 December 2016 - The Scottish Government has approved the full business case for the new **Forth Valley College Falkirk Campus (£83m)**. The estimated value of the main construction contract is £58m with the build anticipated to commence in September 2017, enabling the college to take occupation by October 2019. The new state-of-the-art facility will be located on the college's former Middlefield site on Grangemouth Road. It will include modern, flexible and technology-enabled spaces and will boast industry standard workshops, laboratories and classrooms. The campus will also have a Learning Resource Centre, food outlets, hair and beauty salons, conference space and sports facilities.

- 13 December 2016 – Council leaders have formally backed plans to build a direct rail link between Glasgow Airport, Paisley and Glasgow city centre. The **Glasgow Airport Access Project (£144m)** is the flagship project for the £1.13 billion Glasgow City Region City Deal which the Scottish Government is providing £500 million over 20 years to. Plans unveiled last month showed journeys to and from the airport would be transformed as a state-of-the-art system carries passengers on specially designed tram-trains using both the existing railway network and a new light rail spur from Paisley to the airport. Construction of the direct rail link is due to begin in 2022 and the system will be operational three years later.

- 13 December 2016 – The Scottish Government has approved the full business case for NHS Forth Valley's **Stirling Care Village (£35m)** and building work is likely to begin early in 2017. The project which forms part of the SG's revenue funded NPD/hub investment programme is a joint venture between NHS Forth Valley, Stirling Council, Forth Valley College and Scottish Ambulance Service to meet the needs of the local community incorporating health and social care along with leisure, recreational, commercial and educational facilities.

- 11 December 2016 - The new **Edinburgh Gateway (£41m)** interchange project has opened. The project which forms part of the Edinburgh-Glasgow Improvement Programme (EGIP) is situated between South Gyle and Dalmeny and will serve passengers from Fife and the north of the city. The station will link the capital's northern train line to the tram network and Edinburgh Airport and offer local travellers services to Perth, Dundee and Inverness. The station lies next to the Gogar roundabout on the A8 and will also have a link to the Gyle shopping centre.

- 7 December 2016 - Financial close was reached on the **NHS Grampian - Inverurie Health Care Hub & Foresterhill Health Centre (£22m)** which will allow construction to commence. The project which forms part of the SG's revenue funded NPD/hub investment programme includes reprovision of a Health Centre for Inverurie (£12m) to incorporate; GP Practice, Community Midwifery Unit,

Radiology and Community Dental services and reprovision of the Health Centre on the Foresterhill Health Campus site in Aberdeen (£8m). Work on both sites is set to begin later in December with a proposed completion date of summer 2018.

- 29 November 2016 - Plans for **A96 Nairn Bypass** are set to go on public display following publication of draft orders confirming line of proposed route for formal comment. A series of public exhibitions will be held from 7-9 December 2016. We are working to progress the dualling of the A96 which when completed will help tackle congestion, make journey times more reliable and, crucially, improve road safety. The Scottish Government has given a clear commitment to dual the **A96 between Inverness and Aberdeen** by 2030 which will deliver around 86 miles of upgraded road between Scotland's two northernmost cities.

- 24 October 2016 – The **Ayrshire College (Kilmarnock Campus) (est total capital investment £53.6m / NPD value £48.5m)** opened to students. The project in East Ayrshire which is the single largest public sector investment Kilmarnock has ever seen, will deliver state of the art learning facilities. The project forms part of the SG's revenue funded NPD/hub investment programme.

- 17 October 2016 - The £1 billion redevelopment of the **St James Quarter in Edinburgh** in now formally underway. The development will comprise 850,000 sq ft of retail space, anchored by John Lewis, a multi-screen cinema and a world class W Hotel, which represents their debut in Scotland, comprising 214 rooms. In addition, 150 private apartments, offering breath-taking views over the City, set a gold standard for prime residential accommodation. The Scottish Government has been able to help unlock the investment by working in partnership with the Scottish Futures Trust and Edinburgh City Council on the Growth Accelerator Model through which it will be contributing significant sums and assisting the council to manage risk. The project is one of the UK's largest and most significant regeneration projects and it will transform and reinforce the heart of Edinburgh city centre and will have a significant positive impact on construction activity, jobs, and the economy.

- 11 October 2016 - The **Queensferry Crossing's (£1.325bn-£1.35bn)** centre tower deck has been recognised by Guinness World Records as the largest freestanding balanced cantilever in the world. The bridge's central deck is now complete but still free standing. The 644 metre cantilever itself won't last long and it will soon be connected to the flanking towers and viaducts to form the final superstructure. Until now the balanced cantilever method has never been used to construct a bridge this big. The Queensferry Crossing will however still be the tallest bridge in the UK and longest bridge of its type anywhere in the world. Construction work is going well on all three towers and the bridge is due to be operational by May 2017.

- 10 October 2016 – The full business case for **NHS Orkney New Hospital and Healthcare Facilities project (est total capital investment £67.5m / NPD value £59m)** was approved. The project which forms part of the Scottish Government's NPD/hub investment programme is the biggest in NHS Orkney's history and will replace Kirkwall's Balfour Hospital as well as integrating other health care facilities. This follows the preferred bidder announcement in July 2016. Construction should start before the end of year.

- 30 September 2016 - Road users are now able to drive on the first stretch of new road surfacing to be constructed as part of the **A9 Dualling: Kincraig to Dalraddy project (£45m)**. Drivers are now able to follow a new road layout between Kincraig and Dalraddy which will take them onto approximately 4km of newly constructed carriageway. This will then allow the contractor delivering the works to begin work upgrading the existing carriageway. This is an important milestone on the first project to get underway as part of the Scottish Government's A9 dualling programme.

- 28 September 2016 - Transport Minister visited the new **Edinburgh Gateway (£41m)** project which is nearing completion. Construction staff have been on site at Gogar since January 2015 working on the new interchange, which will serve passengers from Fife and the north accessing Edinburgh airport and transferring onto the tram network. With the main building work just days away from completion, the new station remains on track to open for passengers in December 2016. Edinburgh Gateway will consist of two 265m, 10-car platforms and boast 1500m^2 of concourse and circulation space. A step-free access bridge will link the platforms within the station and connect to the tram stop via lifts and escalators. An underpass beneath the A8 will provide pedestrian access from the nearby Gyle centre. Edinburgh Gateway is part of the Scottish Government-funded Edinburgh Glasgow Improvement Programme (EGIP), which is delivering a rolling programme of electrification across the central belt.

- 27 September 2016 - Health Secretary announced that work on the new **East Lothian Community Hospital (£67.9m)** will start in October 2016 (10 October) following reach of financial close. The first phase of works will see the outpatient department and combined endoscopy/surgery suite built at the current Roodlands Hospital site. Buildings on the site will be demolished ahead of the new hospital being built. The new hospital which is being built jointly by NHS Lothian and East Lothian Health and Social Care Partnership, will be a significant addition to local healthcare facilities by bringing services back to the area and helping more patients get treatment closer to home. The project forms part of the SG's revenue funded NPD/hub investment programme.

- 28 August 2016 - The City Campus in Cathedral Street which forms part of the **City of Glasgow College (£228.6m)** project and which is one of the largest specialist college buildings in Europe opened to students. This follows the building of the Riverside Campus which opened in August 2015. The project was completed on time and on budget. The City Campus has been meticulously designed to offer superb opportunities to students and to meet and adapt to the changing needs of future generations. This future-proofing includes technologically advanced, industry standard facilities which complement a vast open and inspiring learning and teaching environment. The project forms part of the SG's revenue funded NPD/hub investment programme.

- 28 August 2016 - The first section of the **A90 Aberdeen Western Peripheral Route/Balmedie-Tipperty (£745m)** project has opened to traffic. Drivers can now use the Craibstone and Dyce Drive Junctions on the A96 (Inverurie Road) at Aberdeen Airport. Craibstone Roundabout will connect with the AWPR dual

carriageway once it opens and also with the new Airport Link Road. The overall project is expected to be fully operational by winter 2017. The project forms part of the SG's revenue funded NPD/hub investment programme.

- 12 August 2016 - The first sod has been cut at Orchard View, the **Inverclyde Adult and Older Peoples Continuing Care Hospital (£8.8m)**, by the Minister for Public Health and Sport. The contemporary healthcare facility located on the Inverclyde Royal Hospital grounds forms part of the SG's revenue funded NPD/hub investment programme and is expected to open in summer 2017. It will provide adult and older peoples' continuing care mental health accommodation, with a particular focus on delivering a dementia friendly environment. More than just a straight replacement of the existing provision, Orchard View will enable fundamental change in the way older peoples care is delivered in Inverclyde.

- 10 August 2016 – **Capital spending boost post-Brexit vote** - The First Minister announced measures to support and stimulate the economy in the wake of the EU referendum. Capital spending on projects to support and create employment will be accelerated starting with an additional £100 million of funding in this financial year (2016-17). The capital funding will be used to speed up delivery of health and other infrastructure projects in order to boost confidence, stimulate economic activity and support business. **[UPDATE: All £100 million was spent in 2016-17]**

- 6 July 2016 - The sod cutting ceremony was carried out to officially mark the start of construction work on the first of three health and social care centres in Edinburgh and West Lothian which form **NHS Lothian's Partnership Centre Bundle** project. The Minister for Mental Health officially cut the ground on the North West Edinburgh Partnership Centre in Muirhouse, Edinburgh. Allermuir Health Centre (formerly the Firrhill Partnership Centre) and Blackburn in West Lothian are the other two which form part of the SG's revenue funded NPD/hub investment programme.

- 6 July 2016 – The preferred bidder has been announced for the **NHS Orkney New Hospital and Healthcare Facilities project (est total capital investment £67.5m / NPD value £59m)**. The purpose-built facility which forms part of the Scottish Government's NPD/hub investment programme will contribute to high quality care, while improving the experience for patients, staff and visitors. The new building will also support the relocation of Skerryvore and Heilendi GP practices and King Street dental services. With construction soon to start this will support many hundreds of jobs and be a boost to the local economy.

- 5 July 2016 – Four shortlisted bidders have been announced for the contract in relation to the construction of the **A737 Dalry Bypass**. The contract for the project is estimated to be worth between **£34 million and £38 million** and involves the construction of a new bypass and associated junctions to connect to the existing A737 Trunk Road. A contractor will be appointed early next year (2017) with works to start on this critical infrastructure project by the end of March 2017. The new road will be a key driver in improving economic and employment opportunities in the area by providing better journey time reliability and enhancing connectivity. It will also improve safety by taking traffic away from unsuitable roads.

- 2 June 2016 – A major milestone has been reached on the **M8 M73 M74 Motorway Improvements Project (£439m)** when construction commenced on the largest single span bridge within the scheme. The construction of North Calder Water Bridge is part of major works to upgrade Shawhead Junction and the new bridge will carry traffic on the new M8 over the North Calder Water to the south of the existing A8. As one of the widest structures of the project at 77.25 metres, the new bridge will carry three lanes of traffic in each direction, alongside new on and off-slip roads, linking the M8 to the A725 both north and southbound. The placement of the beams marks a significant milestone in the progress of the project and signifies the culmination of months of planning. Once complete, The M8 M73 M74 Motorway Improvements Project will significantly reduce congestion across the central Scotland motorway network, and improve travel time reliability on the main route between Glasgow and Edinburgh.

- 27 May 2016 – **A96 Dualling** is pressing ahead following Transport Scotland's intention to award a contract worth up to £50 million to carry out route option assessment and detailed design work for dualling the 29-mile western section of the A96 between Auldearn and Fochabers. Subject to the mandatory standstill period, the design work on the project will start in June. The Scottish Government remain committed to dualling the entire length of the A96 (some 86 miles of upgraded road between Inverness and Aberdeen) by 2030.

- 6 May 2016 - **NHS Ayrshire & Arran's Acute Mental Health & North Ayrshire Community Hospital (£54.8m)** now called Woodland View, officially opened following practical completion in April. Project forms part of the SG's revenue funded NPD/hub investment programme. Woodland View will have 206 private en-suite bedrooms for inpatients distributed throughout 13 ward areas. It will accommodate people who need a level of care and rehabilitation that can only be provided by a stay in hospital, including: adult acute mental health; mental health and addiction rehabilitation; elderly mental health; complex care; and outpatient clinics and treatments.

- 4 April 2016 – The construction of three partnership centres in Edinburgh and West Lothian will start over the coming weeks after the financial contracts were agreed. The **NHS Lothian Partnership Centre Bundle (£34.2m)** is being delivered by NHS Lothian in partnership with the City of Edinburgh Council and West Lothian Council. The works will see three new health and council hubs built in Firrhill, North West Edinburgh (Muirhouse) and Blackburn in West Lothian. The project forms part of the SG's revenue funded NPD/hub investment programme. Construction of the three centres will start over the next few weeks and they will open to the public in late 2017.

- 24 March 2016 – A £60m scheme to build a new **Oban High School and Campbeltown Grammar** is set to start construction in July after the contract with project partners was signed last week. The school forms part of Scotland's Schools for the Future programme and is being supported by the Scottish Government's revenue funded NPD/hub investment programme. The new schools will be built next to the existing ones, with pupils then moving into the new buildings and the old ones being demolished to make way for playing fields, social spaces and car parking. In Oban, the 1,300 capacity of the new school allows for an increasing

number of pupils, based on school roll forecasts and local development plan actions. The construction of the new Campbeltown facility, with capacity for up to 500 pupils.

- 24 March 2016 – Construction work is now under way on the new state-of-the-art £29.7m **Barrhead High School** in East Renfrewshire following financial close being reached on 21 March. The school forms part of Scotland's Schools for the Future programme and is being supported by the Scottish Government's revenue funded NPD/hub investment programme.

- 23 March 2016 – Bidders have been welcomed for construction of the **A737 Dalry Bypass** following the publication of a notification in the Official Journal of the European Union (OJEU) by Transport Scotland. The notice, which outlines construction costs in the range of **£34m to £38m**, invites prospective bidders to formally apply to participate in the procurement for the construction of the new bypass. The project involves the construction of a new bypass and associated junctions to the east of Dalry and the new bypass will connect with the existing A737 trunk road. The new road will be a key driver in improving economic and employment opportunities in the area by providing better journey time reliability and enhancing connectivity. It will also enhance safety by separating local road users from longer distance, strategic traffic.

- 22 March 2016 – A **£315m Inverness City Deal** will see Highland Council and the UK and Scottish Government working in partnership over 10 years. The Scottish Government will invest £135 million into the city's infrastructure with the UK Government committing up to £53 million and Highland Council and regional partners contributing £127 million. Funding will be targeted towards improving the regions transport and digital connectivity networks, fostering innovation of high growth businesses through the creation of a Northern Scotland Innovation Hub, promoting tourism and delivery of local housing and assisted living schemes. The City Deal will provide a step change in providing opportunities to enhance and accelerate the delivery of long-term aspirations, through;
    - Significant investment in the trunk road network to deliver the strategic A9/96 Link Road improvement and grade separation of the Longman interchange to improve congestion and accessibility to Inverness
    - The delivery of substantial investment in Inverness Castle to support local tourism and the regional economy
    - Investment to deliver 6,000 new houses over 20 years of which, 1,800 are to be affordable homes
    - Support the commercialisation of new medical products and technologies at the new multi-disciplinary centre for clinical research and teaching on the UHI campus.

- 18 March 2016 – Construction could begin on the new **Our Lady and St Patrick's High School** in West Dunbartonshire within weeks after councillors agreed to conclude contracts for the project by 31 March. The new £25.9 million secondary school in Bellsmyre is likely to be on site next month and could be open to pupils as soon as October 2017. The school forms part of Scotland's Schools for the Future programme and is being supported by the Scottish Government's revenue funded NPD/hub investment programme.

- 18 March 2016 - The 5,600 tonne north approach viaduct on the **Queensferry Crossing (£1.325bn-£1.35bn)** has now been fully launched marking a significant milestone for the project. Engineers have completed the hugely complex process of pushing the massive viaduct out across the Queensferry Crossing's distinctive v-shaped piers on the north side of the Forth.

- 18 March 2016 – The **A96 Inveramsay Bridge Improvement Project (£10.2m)** has completed and new traffic management has been implemented at this notorious bottleneck. The project which will carry the A96 over the Aberdeen-Inverness railway line will end queuing at lights, improve journey time reliability and reduce the risk of bridge strikes and associated disruption. The project has been delivered on time and on budget.

- 1 March 2016 - **NHS Greater Glasgow and Clyde - Inverclyde Adult & Older Peoples Continuing Case Bed facility (£8.4m)** – The contract has been signed which will allow work to begin on the new care home in May. Located in Greenock, the contemporary healthcare facility will provide Adult and Older Peoples Continuing Care mental health accommodation in a dementia friendly environment. The project forms part of the SG's revenue funded NPD/hub investment programme.

- 1 March 2016 – The new **Baldragon Academy in Dundee (£28.2m)** reached financial close on 26 February and construction is under way on the school which will form part of an educational campus for the area. The school forms part of Scotland's Schools for the Future programme and is being supported by the Scottish Government's revenue funded NPD/hub investment programme.

- 26 February 2016 – The new **William McIlvanney Campus in Kilmarnock (£42.4m)** reached financial close on 24 February and construction is under way on the school which will forms part of an educational campus comprising Kilmarnock Academy, James Hamilton Primary School and an Early Childhood Centre. Kilmarnock Academy forms part of Scotland's Schools for the Future programme and is being supported by the Scottish Government's revenue funded NPD/hub investment programme.

- 26 February 2016 – The Scottish Government will invest up to **£63.8 million in Dundee's Waterfront**, as part of a package agreed with Dundee City Council. The Growth Accelerator model (GA), developed by the Scottish Futures Trust, is designed to stimulate growth, create jobs and support businesses through a combination of public and private sector investment in local infrastructure and public spaces. Funding is linked to the delivery of agreed outcomes and will be targeted towards improvements to Dundee railway station concourse, development of the V&A and ensuring the Waterfront boasts world class digital infrastructure. 4,500 square metres of Grade A office space will also be developed alongside improvements to civic spaces. The nature of this funding model enables investment to be unlocked now that will support development in the area and longer term economic growth. The package includes:
    - £13 million for the Dundee Railway Stations concourse in addition to the
    - £4.3 million wider station development and

- £3 million to establish a future-proofed digital corridor to assist the city's world renowned games industry and provide a competitive digital solution to support economic development.
- We are also providing up to £20 million to further support the development of the V&A and over
- £25 million to redevelop the two civic spaces at Discovery Plaza and Waterfront Place.

- 26 February 2016 – The design contract notice for the **A96 Dualling programme worth up to £50 million** is up for grabs with four well-respected organisations in the chase. The contract notice was published in October 2015 and covers the western section of the A96 Dualling programme – a 29 mile stretch between Hardmuir and Fochabers. This major contract marks a further milestone towards the dualling of the A96 with all the investment and improvements that will bring to the Highlands and north-east of Scotland. When contract is awarded later this spring, design work for the western section will step up a gear with route option assessment work getting underway. Contract will also provide the successful bidders with steady work for years to come and many more opportunities for small and medium enterprises through subcontracted work, so it will be a significant boost for the local and national economy.

- 25 February 2016 – **Elgin High School (£27.7m)** has reached financial close and construction work will get under way soon. The school forms part of Scotland's Schools for the Future programme and is being supported by the Scottish Government's revenue funded NPD/hub investment programme.

- 19 February 2016 - **Kelso High School (£20.6m)** has reached financial close and construction work will get under way in the next few weeks. The new school will include new grass and synthetic sports pitches as well as community facilities. The school forms part of Scotland's Schools for the Future programme and is being supported by the Scottish Government's revenue funded NPD/hub investment programme.

- 16 February 2016 - Minister for Transport and Islands marked the formal start of construction of **two new 100-metre 'dual-fuel' ferries for the Clyde and Hebrides network** at Ferguson Marine Engineering Limited (FMEL) on the Clyde. The £97 million contract was signed in October 2015, securing around 150 existing jobs in the Port Glasgow and Inverclyde area. New jobs will also be created at the shipyard as a result of FMEL winning the contract, as part of the company's overall growth strategy. FMEL will undertake the detailed design and construction work of the new 'dual fuel' vessels in Scotland, as well as their testing, equipping, launching and delivery. The new vessels will join the fleet, owned by Caledonian Maritime Assets Ltd (CMAL). The first ferry is expected to be delivered in May 2018, with the second vessel following a few months later. The new ferries are earmarked for the Ardrossan-Brodick and the Uig Triangle routes, although the final decision on vessel deployment rests with the ferry operator and will be informed by further analysis of demand on all major routes.

- 12 February 2016 - The first turf was cut on the new **Newbattle Centre in Midlothian (£33.8m)** which comprises a community hub and high school and which

will provide high quality facilities for the local community, teachers and pupils. Newbattle High School (£32m) school forms part of Scotland's Schools for the Future programme and is being supported by the Scottish Government's revenue funded NPD/hub investment programme.

- 5 February 2016 - Contracts were signed on 26 January which will allow work to begin next month on the **£26.5m Dalbeattie Learning Campus** in Dumfries and Galloway. The shared campus will be used by a new Dalbeattie High School, Dalbeattie Primary School and Nursery. Construction work will get under way on their new state-of-the-art learning campus in a matter of weeks. Dalbeattie High School (£11.5m) forms part of Scotland's Schools for the Future programme and is being supported by the Scottish Government's revenue funded NPD/hub investment programme.

- 28 January 2016 – Scottish Government announced that it will invest, over the same 5-10 year time span as the Aberdeen City Region deal, **an additional £254 million in the North East's infrastructure**. This will be targeted towards delivery of improved transport and digital connectivity and local housing programmes requested by local authorities. Funding announced by Scottish Government will help make a step change to economy of the North East, through;
    - £200 million additional funding to help improve journey times and increase capacity on key rail links between Aberdeen and the Central Belt;
    - £24 million of funding for the trunk roads programme to support improvements to the key A90/A937 south junction at Laurencekirk;
    - £10 million for extension of digital infrastructure in the Aberdeen and Aberdeenshire area above and beyond the commitment through the City Deal; and
    - £20 million in infrastructure funding to unlock housing sites that are of strategic importance to the local authorities as well as 5 year certainty on £130 million of affordable housing grant.

- 28 January 2016 – A **£250m Aberdeen City Region Deal** will see the UK and Scottish governments jointly invest in the area (£125m each). The Aberdeen City Region Deal has been brought forward by both Aberdeen and Aberdeenshire local authorities in consultation with local businesses including those from the oil and gas sector. Reflecting the four programme areas of the economic strategy, proposals are constructed around four strategic policy themes connectivity, including transport and digital infrastructure; innovation; internationalisation and housing. The City Deal will address a number of proposals from the region including a new energy innovation centre, supporting the industry to exploit remaining North Sea reserves, as well towards the expansion of Aberdeen harbour, enabling the city to compete for decommissioning work. The City Deal also sets out how the region will diversify the biopharmaceutical and agri-food industries, diversifying the area's economy and creating new jobs and export opportunities, as well as commitments to improve digital connectivity across the area.

- 25 January 2016 – The First Minister confirmed that more than 6,500 pupils are set to benefit from the construction of 19 new schools across Scotland. A £230 million investment which is part of the final phase of the **£1.8 billion 'Schools for the Future' programme**, will take the overall number of schools being delivered to 112.

All 19 schools will be completed by 2020. Since the Schools for the Future programme began it has created an estimated 11,000 construction jobs and 230 apprenticeships.

- 20 January 2016 - Work is progressing on the new £41m Edinburgh Gateway Interchange, west of Edinburgh. The new station is part of the **Edinburgh Glasgow Improvement Programme (EGIP)** which will see the electrification of central Scotland's railway infrastructure delivering increased capacity and faster speeds on key routes. Engineers have been on site at Gogar since January 2015 working on the new station which will serve passengers from Fife and the north accessing Edinburgh airport and interchanging onto the Tram network. The station is scheduled to open to the public in December 2016.

- 11 January 2016 - The new **£24.4m Ayr Academy** in South Ayrshire has become the first of the 12 projects which were previously delayed by the ESA10 classification issue, to reach financial close (7 January). Last November, the Deputy First Minister gave the green light for the ten new schools and two new health projects being built under the hub finance model to proceed to financial close as soon as possible – delivering an estimated capital investment value of around £330 million. This is an important milestone for Ayr Academy, and construction on the new state-of-the-art facility will now begin on 25 January. Work continues on getting the remaining 11 projects to reach financial close as soon as possible, so construction can also begin.

INFRASTRUCTURE INVESTMENT PLAN

Infrastructure Investment Plan 2015

- **The 2015 Infrastructure Investment Plan which builds on the achievements delivered through previous infrastructure plans and sets out a refreshed programme of long-term investment in Scotland was published on 16 December 2015.**

- **Infrastructure investment is central to the Scottish Government's economic strategy and our vision for a prosperous, fair and well-connected Scotland.** This plan builds on the achievements delivered through our previous infrastructure plans and sets out a refreshed programme of long-term investment.

- Recently, Scottish growth has been particularly driven by the construction sector, reinforced to a large extent by public infrastructure investment. Our investment strategy will need to evolve to reflect that.

- **The 2015 plan sets out:**

  - **why** we need to invest;
  - **how** we will invest; and
  - **what** strategic, large scale investments we intend to take forward within each sector over the next 20 years.

- Investment decisions are guided by the vision set out in the Programme for Government. **We will seek to prioritise infrastructure investment based on our guiding principles of:**

  - delivering sustainable economic growth through increasing competitiveness and tackling inequality;
  - managing the transition to a more resource efficient, lower carbon economy;
  - supporting delivery of efficient and high quality public services; and
  - supporting employment and opportunity across Scotland.

- This plan aims to meet these challenges across a diverse range of programmes and by delivering key commitments:

  - Transforming early learning and childcare – expansion to 1140 hours per year;
  - Enhancing housing supply in Scotland – 50,000 homes;
  - Creating a new, overarching energy strategy for Scotland, as well as recognising it as a national infrastructure priority;
  - Continue with expansion of broadband;
  - Investment in healthcare infrastructure, including the establishment of several new diagnostic and treatment centres; and
  - Investment to improve transport infrastructure including measures to improve journey times and connections, reduce emissions and improve the quality and accessibility of public transport.

- **This is a consultative plan.** Next year, subject to the outcome of the Scottish Parliament election, we will undertake a Scottish Spending Review, informed by the outcome of the fiscal framework negotiations. We will continue to make the case that Scotland should have at its disposal the widest possible set of powers to grow and sustain our economy.

- The Scottish Government will welcome views from across Scotland about the approach set out in the infrastructure investment plan to inform the future development of our infrastructure investment strategy.

IIP Progress Report

- **26 April 2017 - The Scottish Government published the annual progress report relating to the Infrastructure Investment Plan.**

- The annual progress report outlines key achievements over the course of 2016 and looks forward to developments in 2017 and beyond.

- During 2016 projects totalling almost £800 million completed construction within our pipeline.

- Particular highlights of the report include:

  - opening of the new Edinburgh Gateway interchange at Gogar and the Raith Underpass on the M8, M73 M74 Motorway Improvements Project;

  - the Redevelopment of the Royal Edinburgh Hospital Campus Phase 1 was completed and the Acute Mental Health & North Ayrshire Community Hospital opened (now called Woodland View); and

  - eighteen further school projects were completed and opened to pupils within the Schools for the Future programme and the Ayrshire College Kilmarnock Campus and the City of Glasgow College City Campus both completed and opened to students.

- Looking through 2017 our accompanying project pipeline publication shows that infrastructure projects totalling around £2.8 billion are anticipated to complete and become operational.

- And looking at the investment programme overall, our pipeline shows that infrastructure projects totalling around £6.4 billion are currently in construction or estimated to be in construction across Scotland during this year alone.

IIP Project Pipeline

- **30 March 2017 - An updated IIP Project Pipeline was published by the Scottish Government.**

- The six-monthly publication outlines a pipeline of investment in major capital projects over £20 million where the Scottish Government has a lead role in procurement or funding. It also includes those school projects being delivered through the 'Schools for the Future Programme' and those projects which form the current revenue funded £3.5bn NPD/hub investment programme.

- There are over 110 ongoing projects included within the published IIP Project Pipeline which should serve to inform the market of upcoming investment opportunities as well as providing information to stakeholders and those that are interested in the progress of infrastructure in Scotland.

  - infrastructure projects valued at more than **£5.9 billion** are currently in construction with almost another **£500 million** of projects expected to start construction before the end of the 2017.

  - infrastructure projects valued at more than **£6.4 billion** are currently in construction or estimated to start construction across Scotland during 2017.

  - infrastructure projects totalling almost **£800 million** completed construction during 2016.

Major Capital Projects Progress

- **30 March 2017 – A Major Capital Projects Progress Update was published by the Scottish Government.**

- The report relates to projects with a capital value of £20 million or more and at Outline Business Case stage or beyond. It also includes school projects in construction with a capital value of £20 million or more which are being delivered by Scotland's Schools for the Future Programme as well as those health projects in construction with a capital value of £20 million or more which are being delivered by the Scotland-wide 'hub' initiative and which form part of the Scottish Government's current revenue funded £3.5 billion NPD/hub investment programme.

Programme Pipeline

- **30 March 2017 - An updated Programme Pipeline was published by the Scottish Government.**

- The pipeline provides an information update on the key infrastructure programmes which were included at Annex A of the Infrastructure Investment Plan which was published in December 2015.

Long Term Investment - 5% Financial Management Tool

- **Our 2015 Infrastructure Investment Plan** reaffirms our commitment to ensure that we use revenue funded methods of investment at a sustainable level, and to not overly constrain our choices in future years.

- The Draft Budget 2017-18 reaffirms our commitment to ensure that we use revenue funded methods of investment at a sustainable level, and to not overly constrain our choices in future years.

- **We would expect to manage our future revenue commitments to a maximum of 5 per cent of our expected future annual total DEL budget.**

- The commitments included in this calculation are the Scottish Government's share of the costs of:

  - previous PPP contracts that are now operational,
  - the current NPD programme,
  - rail (RAB) investment'; and
  - the projected costs of Scottish Government borrowing.

Current assessment:

- Liabilities for committed projects are estimated to peak in 2016-20 at 3.9% of annual total DEL.

- Estimates for committed projects plus planned projects, together with repayment of 2016-17 and 2017-18 borrowing, peak at just under 4.5 % in 2019-20.

The current projections are slightly higher than the 3.8% and 4.2% shown in the 2016-17 Draft Budget. This is largely as a result of updated RAB projections from 2019-20 and the modelling now assuming a 10 year repayment period, rather than 25.

Committed projects

Contract has been signed and either the assets are under construction or the project is operational. This includes:

- the current NPD and hub pipeline;
- RAB payments for the existing rail network, including EGIP, Borders, Aberdeen Inverness enhancements;
- the Scottish Government's share of on-going PFI projects and 5 NPD projects out with the current pipeline

Planned projects

Planned projects and investments supported by borrowing include:

- NPD and hub pipeline

- Assumed Scottish Government borrowing of £322 million from the National Loans Fund in 2016-17 and £450 million in 2017-18.

In the UK Spending Review announcement of 25 November 2015, the UK Government set out spending allocations up to 2019-20 for Resource DEL and up to 2020-21 for Capital DEL and financial transactions. Beyond 2019-20 we have no detailed UK departmental spending plans, and therefore clear view of the Scottish block grant. We have therefore assumed that spending allocations will grow in line with projected nominal GDP.

DRAFT BUDGET 2017-18

Capital Investment Programme Overview

Key points

- In 2017-18 our total capital investment includes a combination of our capital budget, borrowing powers, revenue funded investment through Non-Profit Distributing /hub programme, Regulatory Asset Base (RAB) rail enhancements and capital receipts.

- We are using all levers at our disposal to maximise investment and support economic growth and our spending plans will ensure spending is targeted as effectively as possible.

- **Our £4 billion investment in 2017-18 will support around an estimated 30,000 full time equivalent jobs.**

Application of 2016 Autumn Statement Capital Consequentials

- The additional capital consequentials, announced by the Chancellor in the Autumn Statement on 23 November 2016, are included in the Draft Budget 2017-18 and will be used to deliver our ambitious infrastructure investment programme, including significant investment in:

  - affordable housing,
  - digital,
  - energy efficiency,
  - transport, and
  - health projects.

The CDEL consequentials announced in November's UK Autumn Statement totalled £821.2m and are split by year as follows:

Year	£m
2016-17	1.9
2017-18	125.1
2018-19	197.3
2019-20	239.5
2020-21	257.4

- However despite the increase announced in the Autumn Statement (£125m in 2017-18 / £820m over period 2017-18 to 2020-21), **our Capital DEL budget in 2020-21 will still be 8% lower in real terms than it was in 2010-11.**

NPD Classification and Budgeting

- 5 NPD projects are now budgeted within capital DEL as a result of the classification decision for the AWPR.

- AWPR;
- Royal Hospital for Sick Children;
- Dumfries and Galloway Royal Infirmary;
- Scottish Blood Transfusion Centre; and
- Balfour Hospital, Orkney.

- We budgeted for relevant costs in 2016-17 and have done so again in 2017-18 (total of £234 million in 2017-18)

- This is a budgeting measure only, and has had no impact on the cost or timetable for these projects.

Other Investment Announcements

In addition to investment directly supported by the Scottish Government, we continue to facilitate investment and support economic growth and regeneration, through targeted public sector support. These include:

Tax Incremental Financing (TIF)

- We currently have 4 TIF pilots, 3 with full approval (Glasgow, Argyll & Bute and Falkirk) and 1 with approval in principle (Fife).

- **North Lanarkshire and Edinburgh pilots have been withdrawn** due to changes to the market conditions and with agreement of all parties to pursue other options for supporting growth.

- As a result, 2 new pilots will be available for all local authorities (including North Lanarkshire and Edinburgh) to apply for. SFT will write to each local authority inviting proposals to come forward.

- We are limited through legislation to 6 TIF pilot schemes in total

Growth Accelerator (GA)

- Edinburgh St James Quarter GA legal agreement was signed in October 2016 and construction has begun on site.

- Dundee Waterfront has been approved in principle and we are finalising the legal agreement.

- We and SFT are engaging with other local authorities on the potential application of GA and other models elsewhere, including with the Ayrshire councils.

City Deal

- The Draft Budget 2017-18 **contains funding for Glasgow, Aberdeen and Inverness City Deals.**

- We welcome the commitment of the UKG to city region deals for Edinburgh, Stirling and Dundee/Perth.

Application of 2017 UK Spring Budget Capital Consequentials – 8 March 2017

2017-18	**2018-19**	**2019-20**	**2020-21**	**TOTAL**
£20.5m	£22.0m	£23.9m	£23.3m	**£89.7m**

Financial Transactions Deployment

- Financial transactions are a funding source from HM Treasury which can only be used to fund loans and equity investment that cross the public/private sector boundary.

- These have to be repaid to HMT and an annual repayment profile has been agreed with them which will be updated annually taking account of actual repayments.

The 2017-18 budget for Financial Transactions is £289 million. This is a reduction of 12% from the £329m available in 2016-17.

The current allocation is detailed below (rounded):

Portfolio	**FT Proposal**	**2016-17**	**2017-18**
CSSE - Housing	Help to Buy	80	65
CSSE - Housing	Open Market Shared Equity (OMSE)	80	70
CSSE - Housing	Local Affordable Rent (LAR)	26	11
CSSE - Housing	Charitable Bond	25	25
CSSE - Housing	Infrastructure Loan Fund	40	40
CSSE - Housing	Mid-Market Rent	10	10
CSSE - Housing	Rural Housing Initiative	1	1
CSSE - Housing	Help to Adapt	2.5	2.5
CSSE - SEEP	Fuel Poverty	24	30
CSSE - Regeneration	JESSICA- SPRUCE	15	5
CSSE - Regeneration	Town Centre	2	
EJFW	Scottish Energy Efficiency Programme (SEEP)	6.5	6.5
EJFW	Renewable Energy Infrastructure Fund (REIF)	7.5	7.5
EJFW	Scottish Enterprise	21.5	
ES	Higher Education - low carbon projects	10	10
REC	Business Development - Farmers	5	5
REC	Sustainable & Active Travel	7.5	5
ES	Hub enabling	4	4
HS	Hub enabling	5	
CTEA	Creative Scotland	5	5
Total		**377.5**	**303**
Budget Available		(366)	(289)
Budget Exchange/ repayments		(11.5)	(14)

Future Budgets

The budget for FTs, confirmed in the Autumn Statement on 23 November 2016, includes a marginal increase from budgets allocated in the Spending Review and continues the downward trajectory:

2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**
£329m	£289m	£217m	£187m	£150m

SCOTTISH FUTURES TRUST

SFT Purpose

- **SFT was established in 2008** to improve the efficiency and effectiveness of infrastructure investment in Scotland by working collaboratively with public bodies and industry, leading to better value-for-money and ultimately improved public services

SFT Classification

- **SFT is an Executive NDPB (Non Departmental Public Body) of the Scottish Government.**
  - NDPBs have a national remit and carry out administrative, commercial, executive or regulatory functions at arm's length from Government. They are normally established by statute, Royal Charter or as companies limited by guarantee.
  - SFT has a board appointed by Scottish Ministers which is subject to the Commission Ethical Standards in Public Life Scotland (CESPLS).

SFT Budget

- **Purpose of SFT Budget**
  - SFT work to improve the efficiency and effectiveness of infrastructure investment in Scotland by working collaboratively with public bodies and industry, leading to better value-for-money and ultimately improved public services.
  - Running of SFT - Around 75% of budget is SFT staff costs.

2015-16 (£m)	2016-17 (£m)	2017-18 (£m)
4.7	4.7	4.7

SFT's Corporate Plan (2014-19)

- **2014-19 Corporate Plan** - Published on 6 October 2014. Building on the success of first five years where benefits of over £640m have been secured, SFT has published its 2014-19 Corporate Plan outlining where its expertise will be focused to further accelerate economic growth across Scotland.

  - SFT is increasing investment by challenging conventional infrastructure investment processes and devising new, more focussed and commercially attractive programmes. SFT's success in this area has secured £4 billion of additional investment which is generating greater levels of economic benefit and supporting employment in communities across Scotland.

- By challenging the status quo and continuing to increase levels of investment, SFT's Corporate Plan highlights new and enhanced areas of work. These include:

  - Implementing its pioneering **Growth Accelerator (GA)** across Scotland's cities – in effect this accelerates public and private sector investment and creates economic growth and long-term employment opportunities
  - Planning, scoping and devising the delivery strategy for Scotland's future **Digital** requirements to provide ultrafast broadband and wireless infrastructure that will enable greater connectivity to support businesses and communities across Scotland
  - Developing creative financing initiatives to increase the supply of **affordable-rent housing**
  - Managing the additional £1bn of **Non-Profit Distributing (NPD)** funding – in this period of smaller capital budgets NPD brings forward construction by many years, and creates and protects jobs
  - Driving forward SFT's **low carbon work** streams

SFT's Business Plan (2017-18)

- **2017-18 Business Plan was published in April 2017.** Examples **of** the positive impacts SFT are delivering

  - Across our hub programme, over 100 community-based projects are open and a further 60, valued at over £1.1bn, are under construction supporting over 9,000 jobs
  - In the Scotland's Schools for the Future programme which we lead, the 50th school has been built, and collectively they're providing new and inspiring environments benefiting over 24,000 pupils, their teachers and the communities in which they're built
  - Our property experts generated over £50m of capital receipts back for reinvestment to the public sector from the sale of surplus public properties
  - We're leading the implementation of Building Information Modelling (BIM) in Scotland. This new approach, to the digital coordination of design and property management, is now being adopted for all major Scottish Government projects.
  - Our Growth Accelerator approach has unlocked £850m of additional economic investment into the heart of Edinburgh as demolition of the St James Centre gets underway to make way for one of the largest and most significant city-centre regeneration projects in the UK
  - In the past year, an average of 2,300 energy-efficient LED street lamps were installed each week across Scotland and thanks to our Street lighting Toolkit, the total number of LEDs on Scotland's streets reached 250,000, helping councils save £22m
  - We're created and initiated innovative housing programmes to deliver 3,000 mid-market rent homes
  - Within our Tax Incremental Financing programme, two additional projects one in Fife, the other in North Ayrshire, were recently announced that will

deliver substantial economic benefits and support hundreds of jobs when complete

- **A selection of SFT objectives in existing work areas is outlined below:**

  - Work with the City of Edinburgh Council, our LLP partners, to establish a programme of at least 1,000 homes and explore with other local authorities how the Edinburgh Homes approach could be applied in their area;
  - See 120,000 more energy-efficient LED street lamps installed;
  - See three major NPD infrastructure projects, valued at £750m, completed and open;
  - Reach agreement on two more Economic Investment projects;
  - Work with key public sector partners (Scottish Government, Scottish Enterprise and Scottish Development International) and industry to develop an investment strategy for enhanced international connectivity, internet exchanges and data centres within Scotland;
  - Launch an accessible home ownership pilot scheme for first-time buyers and the elderly;
  - Have 23 more schools open and see construction start on 13 others; and
  - Bring 15 more surplus public sector properties to market for sale.

- **For the year ahead, SFT have also set out objectives in several new and evolving areas where our expertise will help drive change and progress. They include:**

  - Increasing our activity to support the Early Learning and Childcare programme as pace quickens to allow the delivery of infrastructure to enable the increase Early Years support to 1140 hours by 2020;
  - As part of our innovative finance work stream we'll be reviewing and exploring the wider use of financial guarantees to support future infrastructure investment in Scotland;
  - Exploring options and potential investment structures to attract increased pension fund investment; and
  - Appraising new long term options for the procurement, construction and maintenance of community infrastructure such as schools and health centres.

- **With 61 objectives, SFT Business Plan sets out a bold and ambitious course for the year ahead.**

SFT's Benefits Statement (2015-16)

- **2015-16 'Benefits Statement'** – SFT's latest benefits statement published on 20 October 2016 demonstrates SFT's strong performance in public infrastructure, estimating that the value of its work has delivered **£146 million** savings and benefits over the 2015-16 financial year.
  - Added to the six previous years, SFT has now achieved a cumulative total of £923.7 million of savings and benefits.

- SFT is on course to reach its corporate objective of securing £500 million - £750 million of benefits and savings during its second, five-year corporate plan period from 2014-15 – 2018-19.

NPD/HUB REVENUE FUNDED PROGRAMME

- **The Scottish Futures Trust is delivering this pipeline of revenue funded projects** (initially announced in November 2010) in partnership with the Scottish Government and other public bodies.

- **In relative terms it is one of the largest investment programmes of its kind in Europe** and includes over 50 large, complex projects which are being procured by more than 30 different procuring authorities.

- **Programme is being delivered through two channels:**

  i. procurement of large projects such as major roads or large hospitals by public sector organisations using the NPD model;

  ii. procurement of smaller Design, Build, Finance and Maintain (DBFM) projects delivered via the Scotland-wide hub initiative in partnership with local authorities, health boards and other public bodies.

- **The Non Profit Distributing (NPD) model was developed as an alternative to the traditional Private Finance Initiative (PFI) model in Scotland** and a range of projects in three main sectors – Further Education, Health and Transport – have been delivered or are under construction or in development.

- The model involves a partnership with a private sector provider who designs, builds, finances and maintains as asset. The public sector then pays an annual charge over a 25-30 year period to the private sector provider from the revenue budget, once the asset has been built.

Key benefits of the current NPD programme

- No excessive profits to the private sector like past PFI projects;

- Returns are capped to ensure a normal level of investment return is made by the private sector and that returns are transparent;

- Allows private consortiums to make profits from interest, rather than dividends;

- Operational surpluses generated by the Project Company are reinvested in the public sector;

- Public interest is represented in the governance of projects which increases transparency and accountability and facilitates a more pro-active and stable partnership between public and private sector parties;

- Projects are attracting strong competition and achieving favourable financing rates.

- The model seeks to transfer risk and exert private sector discipline during the construction phase of a project and throughout its lifetime, but without the excessive private sector profits associated with past PFI projects.

Classification

- Changes in September 2014 to the EU National Accounts classification rules (ESA10) and in the accompanying guidance (MGDD), both produced by Eurostat, triggered a review of the classification of a number of NPD projects. **ONS concluded in July 2015 that the Aberdeen Western Peripheral Route (AWPR) should be classified to the public sector under the new Eurostat rules and guidance.**

- **It has become clear that a rapid reversal of the ONS's public classification of the AWPR project under the revised Eurostat rules will not be possible**. The Scottish Futures Trust however, will continue to review options for the potential amendment of the AWPR and potentially other NPD projects. There will be no impact on the cost or delivery of the AWPR project.

- **The Scottish Government has asked the Scottish Futures Trust to consider the implications of ESA10 for the contractual and governance arrangements that should apply within the NPD programme going forward.** The Scottish Government remains committed to the delivery of projects in the NPD pipeline and SFT will work closely with project partners to progress their further development.

- Following the ONS' decision that the AWPR should be classified to the public sector under ESA10, the ONS has now also considered proposals developed by SFT for revised hub DBFM (Design Build Finance & Maintain) arrangements and has confirmed that hub DBFM projects will be classified to the private sector. **All hub DBFM projects are now proceeding on the basis of the revised model.**

- **Latest Eurostat guidance issued in September 2016** in relation to EU National Accounts classification (ESA10) and we have reviewed to consider implications to public/private sector classification. In October 2016 following correspondence between ONS, SFT and SG, further changes were made to the contractual arrangements for revenue-financed DBFM hub projects to retain the private sector classification. The revised standard contract is now published on SFT's website

- **Guidance remains disappointing** in reinforcing Eurostat's view that the value for money NPD structure will be publicly classified so SFT Trust will continue to explore options for consideration.

Budgetary Implications

- The view taken by the Office for National Statistics (ONS) on ESA10's application to the AWPR, had implications for the budgeting treatment for a number of NPD projects 4 of which were signed following ESA10 and one (Orkney) which is in advanced procurement.

- **The capital value of the projects now scores against SG CDEL Budgets.** Costs for 2016-17 were reflected in the Draft Budget 2016-17 and costs attributable to 2017-18 are included within the Draft Budget 2017-18.

- **There is no impact on the delivery of the projects themselves.**

- The projects and **budgetary impact in 2017-18** of the construction costs is £234.4 million as follows:

  - AWPR £142.2 million
  - Royal Hospital for Sick Children £21.5 million
  - Dumfries and Galloway Royal Infirmary £26.5 million
  - Balfour Hospital, Orkney £44.2 million

  (note that the overall costs of the hospital projects is higher as there was always a capital element built in for land acquisition and equipping)

- **This means that the capital element of these projects is no longer additional to CDEL funded infrastructure,** although there is no change to the payment mechanism or NPD status of these projects. A unitary charge is still payable for the operational costs of the contract.

Annex B of the draft budget illustrates the capital investment value, not the additionality, of revenue financed projects including the projects above **with the exception of Orkney which is now being delivered through an alternative funding model** - a largely capital funded project with a small element of private finance retained which maintains the risk transfer and NPD principles of the project being.

Hub projects – schools and community health projects – have a different structure and governance and are considered to be privately classified, following changes made by SFT. *[ONS has still to offer a formal classification opinion on the very latest Hub model, but have offered an informal opinion that it will retain a private classification]*

Revised hub DBFM Model

- **The Office for National Statistics confirmed in November 2015 a private sector classification relating to the revised hub DBFM arrangements developed and proposed by the Scottish Futures Trust.**

- **All hub DBFM projects are now proceeding on the basis of the revised model** and the Deputy First Minister confirmed this in Parliament on 26 November 2015.

- The revised arrangements for hub DBFM projects will maintain the current balance of public good with projects taken forward by special purpose companies. These are owned by way of the following:

  - 60% by the existing **hub private partners**;
  - 20% by a new **hub Community Foundation charity (HCF)**;
  - 10% by the **Scottish Futures Trust**; and
  - 10% by the **public sector procuring authority**.

- **The Scotland-wide hub initiative reflects a national approach to the delivery of new community infrastructure.** It brings community planning partners, including NHS Boards, local authorities, police, and fire and rescue services together with a private sector development partner to increase joint working and deliver best value through the shared delivery of sustainable community buildings - from small GP practices to large combined community, health and sports centres.

- **The hub initiative has been implemented across five geographical territories in Scotland**, each with a population of around one million people. Five hubCos have been established in the South East, North, East Central, West and South West regions of Scotland. Under this initiative a supply chain of contractors, designers and consultants of all sizes is created.

- Whilst not all hub projects are revenue funded DBFM (Design, Build, Finance & Maintain) projects, many are Design and Build (D&B) and do not have the Finance and Maintenance elements included in the contracts), a significant part of the hub pipeline for community health and schools projects will be delivered through the hub DBFM model. While projects will mostly be new buildings, they can also include refurbishment and asset management services of existing infrastructure. Contractors, designers and consultants interested in working on hub projects can apply to join a supply chain.

Key facts and figures for £3.5bn NPD/hub programme to date

- **43 projects worth over £2.5 billion have reached financial close since start of programme (10 NPD projects and 33 hub projects).**
- **15 projects worth over £650 million are now operational / complete.**
- **28 projects worth almost £1.9 billion are currently in construction.**

**** Above cost figures relate **only** to 'revenue' funded contract values ****

	PROJECTS WHICH HAVE REACHED FINANCIAL CLOSE	REVENUE FUNDED CONTRACT VALUE (£M) [1]	TOTAL CAPITAL INVESTMENT (£M) [2]	CURRENT STATUS
1	NHS Grampian - Aberdeen Health Village (hub)	15.5	22.8	**Operational (1)**
2	Inverness College (NPD)	45	52.2	**Operational (2)**
3	City of Glasgow College (NPD)	193	228.5	**Operational (3)** (there is still phased external works remaining for City Centre Campus (14/8/17) but it has opened to students).
4	NHS Grampian & NHS Highland Bundle - Forres, Woodside and Tain Health Facilities (hub)	13.6	15.7	**Operational (4)**
5	James Gillespie's High School - Edinburgh City Council (hub)	33.9	38.4	**Operational (5)**
6	NHS Lanarkshire Bundle - Wishaw, East Kilbride and Kilsyth Health Centres (hub)	38.9	50.6	**Operational (6)**

7	M8 M73 M74 Motorway Improvements (NPD)	310	439	In Construction
8	Alford Academy, Aberdeenshire Council (hub)	18.4	26.1	**Operational (7)**
9	Ayrshire College (Kilmarnock Campus) (NPD)	48.5	53.6	**Operational (8)**
10	NHS Ayrshire & Arran Acute Mental Health & North Ayrshire Community Hospital - Woodland View (NPD)	46.6	54.8	**Operational (9)**
11	National Centre for the Scottish National Blood Transfusion Service (NPD)	33.3	33.8	In Construction
12	NHS Greater Glasgow & Clyde's Maryhill Health Centre and Eastwood Health & Care Centre (hub)	21.5	24.5	**Operational (10)**
13	Aberdeen Western Peripheral Route / Balmedie Tipperty project (NPD)	469	745	In Construction
14	Wick High School, Highland, Highland (hub)	48.5	53.8	**Operational (11)**
15	Levenmouth High School, Fife (hub)	38.3	45.3	**Operational (12)**
16	Greenfaulds High School, North Lanarkshire (hub)	31.8	32.1	**Operational (13)**
17	NHS Lothian's Redevelopment of Royal Edinburgh Hospital Campus - Phase 1 (hub)	38.4	49.4	**Completed (14)** (Facility was handed over to health board in December 2016 and services and staff will migrate through Spring 2017 before

				becoming fully operational)
18	NHS Lothian's Royal Hospital for Sick Children / Department of Clinical Neurosciences and Child and Adolescent Mental Health Service (NPD)	150	230.1	In Construction
19	NHS Dumfries and Galloway Acute Services Redevelopment Project (NPD)	212.6	275.5	In Construction
20	Forfar Community Campus, Angus (hub)	34.7	38.3	**Operational (15)**
21	Anderson High School, Shetland Islands (hub)	40.6	64.4	In Construction
22	Ayr Academy, South Ayrshire (hub)	24.4	25.1	In Construction
23	Dalbeattie Learning Campus, Dumfries and Galloway (hub)	24.8	25.8	In Construction
24	Newbattle Centre, Midlothian (hub)	33.8	35.9	In Construction
25	Kelso High School, Scottish Borders (hub)	21.5	24.6	In Construction
26	Elgin High, Moray (hub)	27.7	29.5	In Construction
27	NHS Greater Glasgow & Clyde's Inverclyde Continuing Care Beds for Mental Health (hub)	8.4	8.8	In Construction
28	Baldragon Academy, Dundee City (hub)	28.2	29.1	In Construction
29	William McIlvanney Campus, East Ayrshire (hub)	42.4	45.1	In Construction
30	Barrhead High School, East Renfrewshire (hub)	22.7	27.1	In Construction

31	Oban High School and Campbeltown Grammar, Argyle and Bute (hub)	56.2	61.7	In Construction
32	Our Lady and St Patrick's High School, West Dunbartonshire (hub)	25.9	26.7	In Construction
33	NHS Lothian Partnership Centre Bundle (hub)	28.4	34.2	In Construction
34	Lochside Academy (formerly known as South of the City), Aberdeen City (hub)	44.5	47.4	In Construction
35	Largs Campus, North Ayrshire (hub)	44.3	51.9	In Construction
36	NHS Lothian - East Lothian Community Hospital (hub)	70.4	70.4	In Construction
37	NHS Grampian - Inverurie Health Care Hub & Foresterhill Health Centre (hub)	21.0	24.1	In Construction
38	West Calder High School (hub)	29.1	38.6	In Construction
39	NHS Forth Valley - Stirling Care Village (hub)	34.8	37.8	In Construction
40	NHS Scotland Pharmaceutical Specials Service (hub)	25.8	29.0	In Construction
41	NHS Orkney - New Hospital and Healthcare Facilities (NPD)	5.1	72.3	In Construction *(awaiting unitary payments from SFT and therefore not yet in public dominion)*
42	NHS Greater Glasgow & Clyde's Gorbals Health Centre (hub)	17.1 TBC	17.1 TBC	In Construction

				(awaiting unitary payments from SFT and therefore not yet in public dominion)
43	NHS Greater Glasgow & Clyde's Woodside Health Centre (hub)	20.2 TBC	20.2 TBC	In Construction *(awaiting unitary payments from SFT and therefore not yet in public dominion)*
	TOTAL	**2538.8**	**3356.3**	

1. Figures relate to the NPD or hub 'revenue' funded contract value only (including SG funding in support) and not any additional separate capital funded elements.

2. Figures relate to the total overall capital investment estimate of the project which includes both the 'revenue' funded element and the separate 'capital' funded element [For **school projects**, the total actual costs are provided where finalised and these include additional related capital elements incurred by local authorities for additional works which are out with the scope of the programme].

Major NPD projects within £3.5bn NPD/hub revenue funded programme

- **City of Glasgow College** (est total capital investment £228.6m / NPD value £193m) - reached financial close 30 August 2013. Riverside campus opened in August 2015 and the City Centre campus opened on 22 August 2016. There is still phased external works remaining for both Riverside (17/10/16) and City Centre (14/8/17). Operational;

- **Inverness College** (est total capital investment £52.2m / NPD value £45m) - reached financial close 29 May 2013. Project has completed construction and opened to staff and pupils on 11 and 17 August 2015 respectively. Operational;

- **Ayrshire College - Kilmarnock Campus** (est total capital investment £53.6m / NPD value £48.5m) - reached financial close on 4 June 2014. Project has completed construction and opened to pupils on 24 October 2016. Operational;

- **M8 M73 M74 Motorway Improvements** (est total capital investment £439m / NPD value £310m) - reached financial close on 20 February 2014. In construction.

- **National Centre for the Scottish National Blood Transfusion Service projects** (est total capital investment £33.8m / NPD value £33.3m) - reached financial close on 8 October 2014. In construction;

- **NHS Ayrshire & Arran Acute Mental Health & North Ayrshire Community Hospital - Woodland View** (est total capital investment £54.8m / NPD value

£46.6m) – reached financial close on 19 June 2014. Project reached practical completion on 1 April 2016 and the facility was officially opened on 6 May 2016. Operational.

- **NHS Lothian Royal Hospital for Sick Children/Department of Clinical Neurosciences and Child and Adolescent Mental Health Service** (est total capital investment £230.1m / NPD value £150m) - reached financial close on 13 February 2015. In construction.

- **Aberdeen Western Peripheral Route /Balmedie-Tipperty road scheme** (est total capital investment £745m / NPD value £469m) - the contract to construct, maintain, finance and operate the project was officially awarded on 12 December 2014. This is the largest contract to be awarded within the Scottish Government's NPD programme. In construction.

- **NHS Dumfries & Galloway Royal Acute Services Redevelopment Project** (est total capital investment £275.5m / NPD value £212.6m) - reached financial close on 11 March 2015 and is the largest single health contract within the NPD programme. The hospital will provide 344 single-bed en-suite rooms, and will also house a combined assessment unit to manage emergency cases and bed allocation, theatres complex, critical care unit, women's and children's unit and outpatients department. In construction

- **NHS Orkney New Hospital and Healthcare Facilities project** (est total capital investment £72.3m / NPD value £5.1m) entered procurement in July 2014 when the contract notice was published. Reached financial close in March 2016 and commenced construction thereafter in April. The project is the biggest in NHS Orkney's history and will see the development of a purpose built facility to replace the existing Balfour Hospital in Kirkwall, two GP practices and the Public Dental Service. In construction

Main Health hub projects within £3.5bn NPD/hub revenue funded programme

- **NHS Lanarkshire - Primary Care Health Centres** (est total capital investment £50.6m / revenue funded value £38.9m) – a phased occupancy took place from May 2015 with all centres now fully operational. Kilsyth Health Centre opened in April 2015 and East Kilbride Hunter Health Centre opened in June 2015. Wishaw Health Centre was handed over on 7 August and phased occupancy of facility took place from 17 August 2015. Work however continued to deliver a road and car parking infrastructure to support the facilities at East Kilbride and Wishaw and these completed May 2016. Project was completed to plan. Operational.

- **NHS Scotland Pharmaceutical Specials Service** (est total capital investment £29m / revenue funded value £25.8m) – commenced construction in January 2017. In construction

- **NHS Lothian - Redevelopment of Royal Edinburgh Hospital Campus - Phase 1** (est total capital investment £49.4m / revenue funded value £38.4m) – contract awarded 18 December 2014. The completed facility was handed over to the health board on 22 December 2016. A rolling programme of service relocations to the new facilities will see staff moving into their new surroundings throughout the first half of 2017. Completed

- **NHS Lothian - Redevelopment of Royal Edinburgh Hospital Campus Phase 2 and 3** (£98m-£168m). In hub Development

- **NHS Lothian - Partnership Centre Bundle** (est total capital investment £34.2m / revenue funded value £28.4m) – reached financial close at end of March 2016. The sod cutting ceremony was carried out in July 2016 on the North West Edinburgh Partnership Centre in Muirhouse, Edinburgh to officially mark the start of construction work on the first of three health and social care centres in Edinburgh and West Lothian which form the project. The other two being Allermuir Health Centre (formerly the Firrhill Partnership Centre) and Blackburn in West Lothian. In construction.

- **NHS Forth Valley Stirling Care Village** (est total capital investment £37.8m revenue funded value £34.8m) – SG approved FBC in December 2016 and sod cutting took place on 23 January 2017 to mark start of construction. In construction.

- **NHS Lothian - East Lothian Community Hospital** (£67.9m) – financial close reached on 27 September 2016 and construction started 10 October 2016. The new hospital is being built jointly by NHS Lothian and East Lothian Health and Social Care Partnership. In construction.

- **NHS Grampian - Inverurie Health Care Hub & Foresterhill Health Centre (£24.1m)** - reached financial close December 2016 and construction commenced soon thereafter. Project includes reprovision of a Health Centre for Inverurie (£14.6m) to incorporate; GP Practice, Community Midwifery Unit, Radiology and Community Dental services and reprovision of the Health Centre on the Foresterhill Health Campus site in Aberdeen (£9.5m). In construction.

£1 billion extension to NPD/hub Programme

- On 1 April 2014 the Cabinet Secretary for Finance, Employment and Sustainable Growth **announced a further £1 billion worth of infrastructure investment by extending the current NPD programme through to 2019-20.**

  - The Cabinet Secretary made the announcement to Parliament during a statement on the financial implications of the United Kingdom budget 2014.
  - The additional investment announced **will build on success of current NPD programme** and will provide the construction sector with a future pipeline of work.
  - **After exploring robust business cases with a variety of public bodies** we have now decided where the additional investment in infrastructure could be made.

Allocations in 2015-15 Draft Budget relating to extended Programme (published 9 October 2014)

- **£400 million for the Health sector**
  - Will deliver 10 projects in total; have already announced the allocation of £120 million of NPD investment to fund two Health developments at Aberdeen Royal Infirmary (ARI) Campus – a new Maternity Hospital on the ARI site to be followed by the development of a Cancer Centre ***(project is now being capital funded and procured via Framework Scotland).***
  - Further announcement of phase 2 and 3 of Royal Edinburgh in Draft Budget statement.
  - One further major capital projects and 5 community health facilities will be delivered beyond those projects that have been announced. All projects likely to be delivered through Hub. Further details on individual projects to be announced before the end of the year.

  - Deputy First Minister announced on 2 November 2014, **further details relating to Health sector allocations** within £1 billion NPD programme extension. Main beneficiary of **planned £409 million investment** being the Royal Edinburgh Hospital Campus with a further £120 million to complete its redevelopment. Community health projects are to be delivered via the hub initiative and include:

    - £90 million to develop Aberdeen Women's Hospital (**now capital funded**);
    - £20 million for the new Aberdeen Cancer Centre (**now capital funded**);
    - £65 million East Lothian Community Hospital;
    - £20 million community health projects in Highland including Skye, Lochalsh, south west Ross-shire and in Badenoch and Strathspey;
    - £19 million for primary care in NHS Greater Glasgow and Clyde; and
    - £19 million primary care projects in Grampian including Newmachar, Balmedie Blackburn and Elsick.

  - In addition, the Deputy First Minister also announced on 6 November 2014, **further details relating to the planned £409 million investment** with funding being made available to support the build of a new community care centre, which will care for the elderly in the Dundee area:

- £20 million to build Dundee Community Care Centre.

- **£330 million for the Schools for the Future programme.**
  - £100 million has already been released for immediate support to local authorities for new and refurbished buildings. Current plans suggest that will leverage in a further £100m of LA investment. Announcement of detailed make-up of Component 1 of the programme on 10 October.
  - Another £230 million announced as part of Draft Budget statement - to provide further improvements to the schools estate. This will also leverage in a further £100m from LAs. Will be targeted at poor and bad condition schools.
  - Combination of both elements of the programme will take number of schools replaced/improved under the programme to over 100 and total joint investment from SG And LG to £1.8 billion.

- **£140 million to deliver 2 new college campuses**
  - 2 new campuses at Forth Valley in Falkirk (**now capital funded**) and Fife College Dunfermline – both named as part of Draft Budget statement.
  - Business case under development for both.

- **£60 million for up to 3 new justice centres**
  - Still at a relatively early stage of development. Early indications are that may deliver 3 justice centres within the budget envelope available.
  - Centres would allow the Courts Service to significantly improve and modernise court facilities, while integrating delivery of other justice organisations and specialist support services for victims, witnesses, accused and offenders.
  - The outcome of development work will be announced as part of the Budget Bill process.

- **£70 million for the innovative development of infrastructure projects to meet Digital and Low Carbon policy priorities.**
  - Work is also underway on exploring innovative investment opportunities in both Digital Infrastructure and on Low Carbon. This work is looking at ways of leveraging in additional private sector investment in these areas to support key policy priorities.
  - As a new element of the NPD programme and reflecting the innovative nature of the work, these projects are at a less advanced stage and more detail on individual projects will again be provided as part of the Budget Bill process.

Rates of Returns

- **For revenue funded NPD and hub deals, the private sector rates of return are listed in the standard form project documentation as commercially sensitive.** This information is held as confidential for a 2 year period after each facility is completed.

- Whilst deal specific information is confidential, the average rate of investor returns across the project can be indicated as follows.

- **The "junior lenders" to the project invest approximately 10% of the total investment** requirement for the project and this is generally the investment that is most at risk.

- The average projected return to this category of lender is **10.95% in NPD projects** and this is a capped return.

- The average **hub investor return is 10.65%** and these returns are also subject to caps.

- The remaining **90% of the project investment requirement is typically sourced from "senior lenders"** such as banks and pension funds which lend at much lower rates.

Ownership

Lines

- **All project companies across the Scottish Government's revenue funded NPD/hub programme are UK registered and meet their UK tax obligations.**

- Our primary concern is that companies, who have entered into contracts with the public sector, fulfil their obligations and deliver value for taxpayers' money.

- The Scottish Government's decision to move from the discredited PFI model to the Non Profit Distributing (NPD) model removes opportunities for the private sector to make excessive profits like past PFI projects.

- Instead, NPD ensures profits are capped to ensure a normal level of investment return is made by the private sector and that operational surpluses generated by the project company are reinvested in the public sector.

Background Note

Infrastructure funds offer a wide variety of investors the opportunity to invest in the infrastructure asset class – including NPDs and other PPPs in the UK. Investors tend to invest in infrastructure funds so as to take advantage of the specific skill sets of the fund management teams and aggregate their investment with others in order to diversify their risk.

- Investors in the funds come from a wide variety of jurisdictions with a wide variety of local tax regimes.

- All infrastructure project companies pay tax on their activities in the jurisdictions in which they are based – all UK project companies pay UK tax.

- All investors pay tax on their activities.

The structure of infrastructure funds is focussed on not adding additional intermediary tax to investors' activities; tax that they would otherwise not incur if investing directly. For example, UK Pension funds do not pay capital gains tax which in turn benefits UK pension fund beneficiaries. Funds tend to be structured in a way that they are 'tax transparent', meaning that they do not incur tax at the fund but pass on the obligations to pay tax to the investors in their local jurisdiction. Certain jurisdictions (e.g. UK, Luxembourg, Ireland, Channel Islands) have established fund structures that facilitate the aggregation of investments and the ability to invest across Europe, and the rest of the world, without incurring tax on the same investment twice.

- The main point being that funds are set up in a way to avoid being taxed more than once for the same return, i.e. as if one had invested in the project/asset directly.

NPD Model / NPD/hub Programme (additional information)

- **The Scottish Government made clear in 2007 that only well advanced private financed projects would continue**, as stopping them would have resulted in compensation payments and the delay of essential public sector infrastructure.

- The Scottish Government has made clear that the PFI approach used in the past has not delivered best value for the taxpayer in Scotland.

- **PFI was an expensive mistake** and is no longer a feasible option for revenue-based finance.

- Consequently since May 2007, **no new PFI projects have been initiated by the Scottish Government and there are now no SG funded or part funded PFI projects in procurement or construction.**

- We are now bringing costs down in revenue financed projects through the Scottish Futures Trust and the use of the NPD model.

- **The current NPD investment programme was introduced in order to maximise funding for infrastructure** and provide support for a wider capital programme in response to the reduction in traditional capital budgets by Westminster.

- **NPD provides us with an alternative way of financing projects** through future revenue rather than capital now, and means that projects can continue to be developed, rather than delayed until future capital becomes available.

- **SG is committed to NPD model as its preferred procurement option for revenue financed projects**. The NPD model:

  - ensures that private sector returns are capped;
  - there is no dividend bearing equity;
  - enhances stakeholder involvement in the management of projects; and
  - ensures any operational surpluses can be directed in favour of the public sector.

- The removal of uncapped equity gains is crucial, both in principle for investment into public services and the creation of a better balance between risk and reward to the private sector than past PFI projects. NPD seeks to transfer risk and exert private sector discipline but without excessive profits to private sector associated with past PFI projects.

- **Within our current NPD programme we are attracting strong competition** and achieving favourable financing rates compared to past PFI projects.

- Factors such as the enhancement of stakeholder involvement in NPD projects through the inclusion of a Public Interest Director, the community use of buildings, and the simplification of contracts, are all leading to better value for money for the public sector and the taxpayer.

- **We are maximising funding for infrastructure through revenue finance in order to provide support for wider capital programme** - we are taking forward a major pipeline of infrastructure projects in health, transport and education **via the NPD model.**

- **Our initial £2.5bn NPD programme was announced in November 2010**, as part of the Draft Budget 2011-12 - a response to the reduction in traditional capital DEL in the UK Spending Review, initially a cut of 36 per cent over four years in real terms.

- **NPD provides an alternative way of financing projects through future revenue rather than capital now**, and means that projects can continue to be developed, rather than delayed until future capital DEL becomes available.

- **Main differences between previous NPDO model and current NPD model** relate to:
    - surpluses now being directed back to the public sector, rather than charities (which had previously been the case under NPDO); and
    - greater simplification (e.g. contracts).

- **This NPD programme pipeline, worth over £3.5bn billion is currently one of the largest investment programmes of its kind in Europe**. Contracts for additional investment into Scotland's infrastructure over the next three years will be signed at an average value of over £150 per person per annum. This compares to a historic average across Europe of £27 per person per annum. The NPD programme therefore represents investment at more than five times the European average and almost twice the value of the recent French investment programme which averaged just over £80 per person per annum *(source: SFT)*.

- **Procurement time is making rapid progress, halving the historic average for projects of this type.** In preparation for the market, SFT challenges procuring bodies to set efficient and effective procurement strategies. These include an average OJEU to Preferred Bidder timetable of 14 months in health (compared to a new 'target' of 18 months recently set for similar projects in England). Such has been SFT's success in this area that for Inverness College, it took only 53 weeks from launch of OJEU to the appointment of preferred bidder. The project which

reached financial close on 29 May 2013 only took 17 months to reach financial close from being advertised to the market, which for a project of this size and complexity is unprecedented.

- **Lessons have been learnt from mistakes with early PFI deals.** Soft facilities maintenance such as cleaning and internal painting is not included, in the NPD pipeline specifications. Hard facilities maintenance, such as maintaining the roof, is included. The majority of the unitary charge payments relating to the construction costs and the financing of that construction are **not indexed** (i.e. automatically increased with inflation each year).

- **SFT continues to work on available options with procuring** authorities and the Scottish Government to deliver the best possible value for money for the programme.

- **Drawing on financial and commercial expertise in SFT and their proactive engagement with the funder market alongside the procuring authorities**, we have seen new market entrants providing innovative finance solutions to revenue funded deals. Examples include the competition of funding for the Glasgow College project where a number of finance solutions were submitted, including bank funding and bond funding, to sit alongside funding provided by the European Investment Bank (EIB). The EIB has also provided finance for the M8, M73, M74 Motorway Improvements project within the NPD programme.

- **Financing for NPD projects is comparing very favourably with past PFI projects** which is down to the following factors which is leading to better value for money for the public sector:
    - inclusion of a Public Interest Director;
    - community use of buildings; and
    - simplification of contracts. .

- **Five of the largest projects for example which have reached financial in current NPD programme will cost as follows:**
    - City of Glasgow College (capital value: £193m) - total cost: £603.9m (3.1 x capital value).
    - M8, M73, M74 Motorway Improvements (capital value: £310m) - total cost: £1391.1m (4.5 x capital value).
    - Aberdeen Western Peripheral Route / Balmedie Tipperty (capital value: £469m) - total cost: £1417.7m (3.1 x capital value).
    - NHS Lothian's Royal Hospital for Sick Children / Department of Clinical Neurosciences (capital value: £150m) - total cost: £437.5m (2.9 x capital value).
    - NHS Dumfries & Galloway Acute Services Redevelopment Project (capital value: £212.6m) - total cost: £533.5m (2.5 x capital value).

- **The unitary charges for some previous PFI projects are 8-10 times the initial capital investment**, for example:
    - Hairmyres Hospital (capital value: £68m) – total cost £685.7m (9.9 x capital value);

- Royal Infirmary of Edinburgh (capital value: £180m) - total cost £1.45bn (9.0 x capital value);
- Wishaw General (capital value: £100m) – total cost £794.5m (8.1 x capital value).

- **NPD projects have had a good response from the market and the international investor community** and there has been strong interest (both regional and national) for those projects which have entered procurement.

  - **M8/M73/M74 motorway improvements project** - Following a significant level of international investor interest funding for the project is being supported by the European Investment Bank and a group of investors managed by Allianz Global Investors, one of the world's leading integrated financial services providers. This was the first UK roads project involving bond finance since the global financial crisis in 2008 and this demonstrates confidence from the international investor community in the NPD model and that Scotland's infrastructure is seen as a viable and desirable long-term investment. The EIB is committed to supporting crucial investment in essential infrastructure across Europe and recognise the importance of the M8 scheme to upgrade Scotland's core motorway links.

  - **Aberdeen Western Peripheral Route / Balmedie-Tipperty** - Following a significant level of international investor interest funding for the project is again being supported by the European Investment Bank and a group of investors managed by Allianz Global Investors, one of the world's leading integrated financial services providers. The EIB is committed to supporting long-term investment in Scotland that benefits businesses, creates jobs and improves lives and comes after recent EIB backing for completion of the M8 M73 M74 Motorway Improvements project.

  - **NHS Dumfries and Galloway's Royal Infirmary project** <u>and</u> **NHS Lothian's Royal Hospital for Sick Children / Department of Clinical Neurosciences** - funding for both projects is being supported by the European Investment Bank (EIB).

- As the NPD programme progresses, **it is important that streamlined and effective contract management arrangements are put in place to ensure that value is delivered from these contracts over their operational life.** SFT's operational PPP contract management team is engaged in building best practice for these arrangements across contracting authorities and creating opportunities to work collaboratively.

Letter to PAC – June 2015

- The Non Profit Distribution (NPD) model, like Private Finance Initiative (PFI), is a long-term contract for services that include the provision of associated facilities or properties. However the removal of uncapped equity gains is crucial, both in principle for investment into public services and the moderate risks which equity holders have typically faced.

- NPD seeks to transfer risk and exert private sector discipline both during construction phase of a project and throughout its lifetime, but without the excessive profits to private sector associated with past PFI projects.

- In utilising the NPD model it is recognised that whilst the NPD model retains the benefits of traditional PFI structures, such as:
    - Optimum risk allocation;
    - Whole-life costing;
    - Maximised design efficiencies;
    - Robust programming of lifecycle maintenance and facilities management;
    - Performance-based payments to the private sector;
    - Single point delivery system, reducing interface risk for the public sector client; and
    - Improved service provision.

- It also produces the following additional benefits:

    - Capped returns ensure that a “normal” level of investment return is made by the private sector and that these returns are transparent;
    - Operational surpluses generated by the Project Company are reinvested in the public sector; and
    - The public interest is represented in the governance of the NPD structure, which increases transparency and accountability and facilitates a more pro-active and stable partnership between public and private sector parties.

SCOTLAND'S SCHOOLS FOR THE FUTURE PROGRAMME

Top Lines

- **The Scottish Futures Trust is managing the £1.8 billion schools programme between the Scottish Government and local authorities which will deliver 112 new or refurbished schools by end of March 2020 and benefit over 60,000 pupils**.

- **The Scottish Government is providing £1.13 billion with local authorities contributing £665 million.**

- **At least one new school project is being delivered in every local authority area in Scotland.**

- **SFT's role is to efficiently and effectivelymanage the programme to help local authorities achieve the very best value-for-money for their investment in new schools.**

- **Approximately two thirds of school are being supported directly or indirectly by the NPD programme with approximately two thirds of these NPD supported projects being delivered through the hub programme.**

Key facts and figures for schools programme to date

- **Announced in June 2009 as £1.25 billion programme to replace or refurbish 55 schools** in poor condition across Scotland by March 2018.

- **Joint programme with local authorities** – Scottish Government contributing £800m and Local Authorities contributing £450m. Scottish Government contribution per school: 50% of cost of primary school & 67% of cost of secondary school.

- Phases 1 & 2 of Programme see 37 schools being supported – comprising 21 primary/ASN & 16 secondary. There is at least one project in every Local Authority area.

- **First school in the Programme to be completed** was Pumpherston & Uphall Station Community Primary School which opened in February 2012.

- **Phase 3, announced in September 2012, saw an additional 30 schools added to the programme** – meaning 67 schools will be delivered by March 2018, 12 more than planned (these additional schools possible in part due to prevailing market conditions and because Scottish Futures Trust - which manages the Programme on behalf of SG - has applied rigorous value for money principles across the Programme which both challenges and helps local authorities deliver more for less).

- **Spearheading the original programme was a pilot project** involving Eastwood High (East Renfrewshire) and the Lasswade Centre (Midlothian) which saw SFT and the two councils working together to jointly procure both schools. This ground-breaking collaborative initiative saved at least £4m and is the first time two Scottish Councils have come together to procure new schools. Both schools are now complete and opened to pupils in August 2013.

- **Programme was increased and extended to £1.8 billion and more than 100 schools** (from £1.25 billion and 67 schools) following the 2015-16 Draft Budget announcement on 9 October 2014 - Scottish Government now investing £1.13 billion towards the total overall package of £1.8 billion.

- **First wave of schools to benefit from the expanded schools programme were announced on 10 October 2014** (34 schools to be built/refurbished as part of the first component of phase four).

- **Three further primary schools to be built or refurbished under the first component of phase 4** were announced by Education Secretary on 5 March 2015).

- **Phase 4 - Component 2 (Final Phase)** was announced on 25 January 2016 with a further 19 schools set to benefit taking the total number of schools to 112.

- **The £1.8bn Scotland's Schools for the Future programme will see the construction or refurbishment of 112 schools and will benefit over 60,000 pupils by March 2020.**

- **There are forty seven schools which are operational (twenty eight primaries, two ASNs and seventeen secondaries).**

- **There are forty four schools currently in construction (eighteen secondaries, twenty two primaries, two ASNs and two 2-18 campus).**

Schools which are Operational (47 in total)

(schools are capital funded except where highlighted)

	School	Local Authority
1	Daliburgh Primary	Eilean Siar
2	Gargieston Primary	East Ayrshire
3	Haddington Infants & St Mary's RC Primary	East Lothian
4	St Bernadette's Primary	Falkirk
5	Spittal Primary	South Lanarkshire
6	Riverside Primary	Stirling

7	Pumpherston and Uphall Station Community Primary	West Lothian
8	Lasswade High	Midlothian
9	Eastwood High	East Renfrewshire
10	Auchmuty High	Fife
11	Dumbarton Academy	West Dunbartonshire
12	Invergowrie Primary	Perth and Kinross
13	Craigmarloch ASN	Inverclyde
14	Happy Hansel Primary	Shetland Islands
15	Mearns Academy	Aberdeenshire
16	Redwell Primary	Clackmannanshire
17	St James's Primary (includes Moorpark pre 5 Centre)	Renfrewshire
18	Garrowhill Primary	City of Glasgow
19	Lairdsland Primary School	East Dunbartonshire
20	Ellon Academy	Aberdeenshire
21	Alford Academy (revenue funded)	Aberdeenshire
22	Brimmond Primary School	Aberdeen City
23	Ladyton & Highdykes Primary Schools (2 into 1) now called Lennox Primary	West Dunbartonshire
24	Clyde Valley High	North Lanarkshire
25	Brechin High	Angus
26	St Ronans Primary School	West Dunbartonshire
27	Mariner Support Services ASN (Phase 4.2)	Falkirk
28	Glendale Primary	Glasgow
29	Inverness Royal Academy	Highland
30	James Gillespie's High (revenue funded)	City of Edinburgh
31	Lenzie / Lenzie Moss Primary School	East Dunbartonshire
32	Levenmouth High School (revenue funded)	Fife
33	North Uist Primary School	Eilean Siar
34	Harris Academy	Dundee City
35	St Margaret's Primary School (Phase 4.2)	Stirling
36	Greenfaulds High School (revenue funded)	North Lanarkshire
37	Kilmacolm Primary School (Phase 4.2)	Inverclyde
38	St Ninian's Primary School	Stirling
39	Evie Primary School	Orkney

40	Toronto Primary School	West Lothian
41	St Patrick's Primary	Inverclyde
42	Sound Primary School	Shetland Islands
43	Garnock Academy	North Ayrshire
44	Halfmerke PS/West Mains	South Lanarkshire
45	Forfar Community Campus (revenue funded)	Angus
46	Millbank Primary School	Moray
47	Wick High (revenue funded)	Highland

Schools which are In Construction (44 in total)

(schools are capital funded except where highlighted)

	School	Local Authority
1	Kirn Primary School	Argyle and Bute
2	Boroughmuir High School	City of Edinburgh
3	Linwood ASN (replaced both Clippens and Kersland schools)	Renfrewshire
4	Anderson High School (revenue funded)	Shetland Islands
5	Applegrove Primary School	Moray
6	Clyde Campus (previously St Brendan's Primary School)	City of Glasgow
7	Marr College	South Ayrshire
8	Seafield Primary School	Moray
9	St Gerardine Primary School	Moray
10	Duns Primary School	Scottish Borders
11	Ayr Academy (revenue funded)	South Ayrshire
12	Dalbeattie Learning Campus (revenue funded)	Dumfries and Galloway
13	Newbattle Centre (revenue funded)	Midlothian
14	Kelso High School (revenue funded)	Scottish Borders
15	Elgin High (revenue funded)	Moray
16	Baldragon Academy (revenue funded)	Dundee
17	The Waid Academy	Fife
18	William McIlvanney Campus (revenue funded)	East Ayrshire
19	Barrhead High School (revenue funded)	East Renfrewshire
20	Oban High School (revenue funded) *Presented as one inclusion with Campbeltown Grammar in published Unitary Payment Charges.*	Argyle and Bute
21	Campbeltown Grammar (revenue funded) *Presented as one inclusion with Oban High School in published Unitary Payment Charges.*	Argyle and Bute
22	Our Lady and St Patrick's High School (revenue funded)	West Dunbartonshire
23	St Agathas Primary School (Phase 4.2)	East Dunbartonshire

24	Crookfur Primary School	East Renfrewshire
25	Carrongrange ASN	Falkirk
26	Paradykes Primary School	Midlothian
27	Roslin Primary School	Midlothian
28	Largs 2-18 Campus (revenue funded)	North Ayrshire
29	St Fergus Primary School (Phase 4.2)	Renfrewshire
30	Langlee Primary School	Scottish Borders
31	Bellsbrae Primary School	Shetland
32	Burnside Primary School (Phase 4.2)	South Lanarkshire
33	South of the City Academy (revenue funded)	Aberdeen City
34	Balloch Campus (Inc. St Kessogs, Jamestown, Haldane)	West Dunbartonshire
35	Muirkirk	East Ayrshire
36	St Joseph's College	Dumfries and Galloway
37	North West Campus (previously Maxwellton)	Dumfries and Galloway
38	Broomlands	Scottish Borders
39	West Calder (revenue funded)	West Lothian
40	Kinross Primary School	Perth & Kinross
41	Tulloch Primary School	Perth & Kinross
42	Stoneywood Primary School	Aberdeen City
43	Clackmannan Primary School (previously Craigbank Primary School)	Clackmannanshire
44	Dundee Joint Campus	Dundee

Phase 4 - Component 1:

On 17 June 2014, Cabinet agreed to the immediate release of £100m NPD funding for further investment in school infrastructure as part of the wider £1 billion extension to the NPD pipeline of infrastructure investment.

This additional funding is enabling SG to increase its revenue funding contribution for **current** NPD (hub DBFM) secondary school projects in development (from Phases I-III) from 67% to up to 100%, on the basis that the local authority reinvests its contribution to the project (in the form of capital) plus 50% more into their school estate to accelerate the delivery of current improvement plans. The funding has been focused on poor and bad condition schools.

The funding is being provided to 13 Local Authorities: Aberdeen, Perth & Kinross, Dumfries and Galloway, East Ayrshire, Fife, Highland, Midlothian, Moray, North

Ayrshire, Scottish Borders, Shetland, West Dunbartonshire, West Lothian. This was effectively a self-selecting process, in that only around half of the 32 Local Authorities have applicable existing hub DBFM schools projects. Below sets out the specific school projects which will benefit from Component 1 of Phase IV of the Schools for the Future Programme. This will deliver 24 new projects which will incorporate 34 existing schools across the above named authorities.

These projects are expected to be delivered by March 2017. This is subject to the successful outcome of any statutory consultation processes which *may* be required.

The 34 schools to be built/refurbished under Component 1 of Phase 4 of Scotland's Schools for the Future are as follows:

- Aberdeen City Council – Stoneywood Primary School
- Dumfries & Galloway Council – St Joseph's College (refurb)
- East Ayrshire Council – Bellsbank Primary School, Muirkirk Primary School, St Sophia's Primary School and a new campus to replace Barshare Primary School, Greenmill Primary School and Hillside School
- Fife Council – Waid Academy
- Highland Council – New 3-18 campus to replace Tain Royal Academy, Craighill Primary School, Knockbreck Primary School and St Duthus School
- Midlothian Council – Paradykes Primary School and Roslin Primary School
- Moray Council – Applegrove Primary School (refurb), Millbank Primary School (refurb), Seafield Primary School (refurb), and St Gerardine Primary School (refurb)
- North Ayrshire Council – New 3-18 campus to replace Largs Academy*, Brisbane Primary School, Kelburn Primary School and St Mary's Primary School
- Perth & Kinross Council – Kinross Primary School and Tulloch Primary School
- Scottish Borders Council – Broomlands Primary School and Langlee Primary School
- Shetland Islands Council – Bell's Brae Primary School (refurb) and Sound Primary School (refurb)
- West Dunbartonshire Council – New joint campus to replace Haldane Primary School, Jamestown Primary School and St Kessog's Primary School, new primary school to replace Highdykes Primary School and Ladyton Primary School (refurb), and St Ronan's Primary School (refurb)
- West Lothian Council – Toronto Primary School (refurb)

* Largs Academy replaces the previously announced Phase 3 project, a new secondary to replace Ardrossan and Auchenharvie Academies.

Some of the above schools will be subject to statutory processes as set out in the Schools (Consultation) (Scotland) Act 2010.

Three further primary schools to be built or refurbished under the <u>first component of phase four</u> of Scotland's Schools for the Future are as follows (Announced by Education Secretary on 5 March 2015):

- Dundee – replacement of St Vincent's Primary School, Longhaugh Primary School and St Luke's and St Matthew's Primary School* with a joint campus to accommodate up to 800 pupils.
- East Renfrewshire – refurbishment of Crookfur Primary School accommodating up to 420 pupils and 90 nursery places.
- Argyll and Bute – refurbishment of Dunoon Primary School accommodating up to 300 pupils and 30 nursery places.

*This new school will be subject to statutory processes as set out in the Schools (Consultation) (Scotland) Act 2010.

Phase 4 - Component 2: (announced 25 January 2016)

The **final phase** of the £1.8 billion 'Schools for the Future' programme was announced on 25 January 2016 by the First Minister with an allocation of £230 million for a further 19 schools. This takes the total number of schools set to benefit from the programme to 112.

Since the Schools for the Future programme began it has created an estimated 11,000 construction jobs and 230 apprenticeships.

At the October 2014 budget, the Finance Secretary announced that a further £330 million funding was being made available for the fourth phase Scotland's Schools for the Future Programme. This brought the total investment for the programme between the Scottish Government and local authorities to £1.8 billion.

The £330 million comprised £100 million announced in June 2014 – for the first wave of schools to be supported under phase IV – with the projects to be supported announced in November 2014.

This announcement is for the second wave with £230 million being allocated across Scotland.

19 Schools within Phase 4 Component 2

- Aberdeenshire – Inverurie Academy
- Angus (3) – Hayshead Primary School, Muirfield Primary School and Ladyloan Primary School
- Clackmannanshire – Abercromby Primary School
- East Dunbartonshire – St Agatha's Primary School
- East Lothian – Wallyford Primary School
- Edinburgh – Queensferry Community High School
- Falkirk – Mariner Support Service
- Glasgow (2) – Blairdardie Primary School and Carntyne Primary School
- Highland – Alness Academy
- Inverclyde – Kilmacolm Primary School
- Moray – Lossiemouth High School
- North Lanarkshire – Cumbernauld Academy

- Renfrewshire – St Fergus Primary School
- South Ayrshire – Queen Margaret Academy
- South Lanarkshire – Burnside Primary School
- Stirling – St Margaret's Primary School

HUB INITIATIVE

The Scottish Futures Trust is managing the hub initiative, which will deliver an estimated £2 billion of community infrastructure over 10 years. The Scotland-wide hub programme reflects a creative approach in the delivery of community-based infrastructure and facilities.

It brings together community planning partners, including health boards, local authorities, police, and fire and rescue services and several other public bodies together with a private sector development partner to form a hubCo to increase joint working and deliver best value in delivering new community facilities.

This service is delivered through five regional hubCos in Scotland, all of which are fully operational:

- South East
- North
- East Central
- West
- South West

Key facts and figures for hub programme to date (March 2017):

- Value of projects in construction - £1.1bn (£1,163m);
- Value of projects open and operational - £710m;
- Value of projects under development in hub - £416m;
- Value of hub projects operational, in construction and in development totals approximately £2.3bn (£2.29bn).

Value split across the five hub territories:

- South East - £474m
- North - £446m
- East Central - £509m
- West - £375m
- South West - £487m

- First hub project (Edinburgh's Drumbrae Library &Community Hub - South East) opened in January 2012;

- First hub school (Haddington Joint Campus - South East) opened in October 2012.

Hub projects as of March 2017 (SFT web link)

http://www.scottishfuturestrust.org.uk/publications/vital-signs-march-2017/

BACKGROUND

hubcos

hubCos are not public bodies and their Directors are not appointed by Scottish Ministers. hubCos are independent private limited companies

hubCos are independent private limited companies each with five directors - three Directors appointed by their private sector investors, one by SFT and one by their public sector participant shareholders and a non-voting Chair.

There are 5 hub companies across Scotland

Each hub company is a private limited company technically procured as an institutional public private partnership. Each is 60% owned by private investors (procured to be the partner), 30% by the public sector participant organisations in the area (health boards, Local Authorities etc.) and 10% owned by SFT.

For each of the five hubCos:

- The private sector investors select three Directors
- SFT appoints a member of its staff as its Director. Currently one member of staff serves on four boards and for resilience another member of staff serves on one.
- The public sector participants in each territory between them decide on a representative to serve as their Director.
- The Chair for the company is selected by agreement between all the shareholders

Projects which can be delivered through hub

The hub model has been structured to give the potential to deliver a wide range of facilities to improve the provision of community services. Projects could include community health centres, dental surgeries, doctor surgeries, debt and citizens' advice facilities, employment advice and a range of other community services, primary and secondary schools and police and fire service facilities.

Projects and Delivery of Joint Services

Not all projects have to envisage the delivery of joint services. Individual participants will be able to use hub to deliver their own facilities as well as facilities that they want to share with other participants or third parties. Nevertheless, a central theme of the hub initiative is that opportunities to share facilities with other Participants should be maximised where at all possible as this is likely to introduce cost efficiencies for all parties involved.

Social and Economic Impact on Local Communities

- The long term nature of the hub programme facilitates the creation of new employment and training opportunities and supports the development of long term sustainable businesses.

- Central to the appointment of a hub territory partner is that it makes a pledge to create employment opportunities for SMEs and the Third Sector and that it supports and engages with local communities and training programmes.

- To date, almost 80% of the value of hub construction work has awarded to SME companies across Scotland. For example the £19.6m Maryhill and Eastwood Health Centre bundle, awarded 78% of the work to SMEs. [CONFIRMED BY SFT ON 23 MAY 2017]

The hub programme is also delivering high quality public buildings for joint occupation by health, education, social work and other community staff and the co-location of services is supporting the on-going drive to improve public services for communities right across Scotland.

INNOVATIVE FINANCE

Tax Incremental Financing

Summary

A financial model that combines public and private sector investment in local infrastructure to deliver economic growth. Local Authorities use borrowing to fund investments in public infrastructure with the aim of attracting further private sector investment. As a result of this, Local Authorities are expected to receive higher local tax income which they use to repay their borrowing.

TIF is a means of funding public sector investment infrastructure judged to be necessary to unlock regeneration in an area, and which may otherwise be unaffordable to local authorities or undeliverable through the private sector.

TIF allows a local authority to keep locally generated, incremental non-domestic rate (NDR) revenue from economic activity that has arisen as a direct result of their investment. The captured NDR revenue is then used to repay the local authority's debt raised to finance the infrastructure investment.

Top Lines

- **The Scottish Futures Trust is playing an active role in the development of TIF** as funding mechanism for major regeneration schemes. Under TIF, councils fund infrastructure by borrowing against future business rate income that should be generated by the resulting regeneration and development.

- **TIF is an innovative way to unlock future economic growth**, as every £1 invested by the public sector has the potential to attract a further £5 from the private sector through a range of investments, building on the enabling investments made through the TIF. This includes business and industrial space, retail, and related leisure investments.

- **Scotland is leading the way in the UK** and the Scottish Government is supportive of a limited number of pilot projects to test applicability of TIF to Scottish circumstances.

- **The Scottish Government has supported infrastructure investment** in some local authorities which may otherwise be unaffordable, through the TIF scheme.

TIF Projects

- **There are currently four TIF pilots** with full approval (Glasgow, Argyll & Bute, Falkirk and Fife).

- **The previous North Lanarkshire and Edinburgh pilots have not proceeded as planned** due to changes to the market conditions and with agreement of all parties to pursue other options for supporting growth.

- **As a result, two new pilots were made available for all local authorities** (including North Lanarkshire and Edinburgh) in December 2016 to apply for. **Following this application process two schemes by Fife and North Ayrshire Councils were approved in March 2017** with the councils now set to work with the Scottish Futures Trust on more detailed businesses cases.

  - The **Fife application for £10 million** in the Fife Interchange distribution and business park development will help to develop 22 hectares of land and is expected to provide leverage for private sector investment of £75 million to £100 million.

  - The **£5 million North Ayrshire Council** application will be used to construct roads and services within the i3 Irvine, Innovation and Industry Park with the potential to facilitate up to 26 square meters of industrial buildings. The TIF is expected to bring wider economic benefits of around 400 additional jobs, securing existing jobs and investment in the new region and promoting the life sciences hub in Irvine.

- **We are limited through legislation to 6 TIF pilot schemes in total.**

Current TIF Projects

- **Glasgow City Council's Buchanan Quarter (£80m)** – in construction. Final approval on 25 October 2012 and construction started in February 2013. The project will reinvigorate Glasgow city centre and is expected to lever in £310 million in private investment and create almost 1,500 jobs. Plans include improvements to George Square and Upper Dundas Street (now completed although there may be a further phase to George Square later in the programme). Strengthening of the Cathedral Street bridge and phase one of the Royal Concert Hall upgrade are also complete.

  - The next phase of development that had been scheduled was the upgrading of Buchanan Street and improving access to Queen Street station. The developer (Land Securities) is now in discussion with Glasgow City Council and Network Rail about next steps and agreeing a revised timetable, having indicated that it will now not be progressing these works along the lines of the original schedule. It is however anticipated that further works will continue in Glasgow city centre via the TIF or related works. There have been delays to the commencement of the latest works as the developer and network rail identify options to deliver investment alongside the current EGIP programme.

- **Falkirk Council's Grangemouth project (£67m)** - in construction. Final approval on 5 August 2013 and construction started in November 2013 on improving the M9 motorway links. The project is expected to lever in £413 million in private investment creating almost 6,000 jobs and hundreds of apprenticeships. The 25-year plan, over three phases across Falkirk and Grangemouth includes improving the M9 motorway links to established industrial areas and unlocking 400,000 square metres of business space. Within the bid, funding is earmarked to contribute to major flood defences to protect the port and refinery at Grangemouth.

- **Argyll and Bute Council's Lorn Arc project (£19m)** - in construction. Final approval on 30 January 2014 and construction started in September 2015. The scheme is expected to lever in £125 million in private investment and also generate hundreds of construction jobs over the life of the project. It comprises extending Oban North Pier, upgrading road links to established industrial areas, renewable energy projects and creating new business space at Oban airport

- **Fife Council's Energy Park Fife project (£17m)** – Final approval on 23 February 2017. Construction will commence over the course of the next few months.

TIF Projects which are not proceeding as previously planned

- **North Lanarkshire Council's Ravenscraig Phase Two project (£73m)** – provisionally approved in March 2011. Since the original plans were agreed the market conditions have changed and, following a review, the town centre element will now no longer go ahead. The Scottish Government remains committed to working with North Lanarkshire Council and other parties on options for the further redevelopment of the Ravenscraig site.

- **City of Edinburgh Council's Leith Harbour project (£84m)** - final approval reached in March 2011. The sale of Leith Docks by Forth Ports – a development beyond the control of government delayed project. Council has assessed the options and progress is being made instead on the St James Quarter Growth Accelerator Model scheme and accordingly this TIF pilot will not proceed.

Other

- **Note on Aberdeen City Council** - The Scottish Government is committed to supporting economic growth and regeneration in Aberdeen. That is why we invited Aberdeen City Council to work on a Tax Incremental Financing - TIF - business case with Scottish Futures Trust based on the previous proposal put forward for the redevelopment of Union Terrace Gardens - the City Garden Project. The project was, disappointingly, and after a show of public support, rejected by the City Council. This particular application for TIF was only for the City Garden Project, which included a substantial amount of private sector funding. Any potential future separate application for TIF will be evaluated on its merits.

TIF Project Criteria

Any proposal for a TIF project must demonstrate to Scottish Ministers that:

- the enabling infrastructure will unlock regeneration and sustainable economic growth;

- it will generate additional (or incremental) public sector revenues (net of a displacement effect); and

- it is capable of repaying, over an agreed timescale, the financing requirements of the enabling infrastructure from the incremental revenues.

Growth Accelerator (GA)

Top Lines

- **The Growth Accelerator (GA) funding mechanism seeks to identify the impact of intervention and investment across a wider economic geography and measure wider relevant impacts that align with the priorities of investment.**

- **The capital funding is initially invested by the Council. Funding is then reimbursed by Scottish Government over a set period following achievement of pre-agreed key milestones and targets.**

- **The SG should see its funding support repaid through a mix of fiscal, economic and social returns resulting from the investment.**

Key Objective / Criteria

- **The key objective of the Growth Accelerator funding mechanism is the delivery of public sector enabling infrastructure which stimulates private sector investment and the wider economy.**

- **The model establishes a payment-by-results approach based on achieving key measures relating to economic, financial and social impacts.**

- **These will be determined on a project by project basis, reflecting the project's key, identifiable outcomes which will be included within the Growth Accelerator agreement.**

Lines

- **Growth Accelerator is a financial model** which will combine public and private sector investment in local infrastructure and public space to deliver outcomes that grow the economy.

- **Two projects have been approved and signed to date (St James Quarter in Edinburgh and the Dundee Waterfront).**

- **St James Quarter in Edinburgh -** The model unlocked a £1 billion investment in the St James Quarter in Edinburgh, through an innovative funding agreement between Scottish Government, the City of Edinburgh Council and private sector developers. Formal construction started on 17 October 2016.

    - The St James Quarter will comprise 850,000 sq ft of retail space, anchored by John Lewis, a multi-screen cinema and a world class W Hotel, which represents their debut in Scotland, comprising 214 rooms. In addition, 150 private apartments, offering breath-taking views over the City, set a gold standard for prime residential accommodation.

- **Dundee Waterfront** - The Scottish Government will invest up to £63.8 million in Dundee's Waterfront, as part of a Growth Accelerator model package agreed with Dundee City Council. Financial agreement with Dundee City Council was signed by Finance Minister on 15 December 2016.

    - Funding is linked to the delivery of agreed outcomes and will be targeted towards improvements to Dundee railway station concourse, development of the V&A and ensuring the Waterfront boasts world class digital infrastructure. 4,500 square metres of Grade A office space will also be developed alongside improvements to civic spaces. The nature of this funding model enables investment to be unlocked now that will support development in the area and longer term economic growth. The package includes:

        - £13 million for the Dundee Railway Stations concourse in addition to the
        - £4.3 million wider station development and
        - £3 million to establish a future-proofed digital corridor to assist the city's world renowned games industry and provide a competitive digital solution to support economic development.
        - We are also providing up to £20 million to further support the development of the V&A and over
        - £25 million to redevelop the two civic spaces at Discovery Plaza and Waterfront Place.

- **The model will be the basis for a new funding mechanism which could help to see significant infrastructure investment across Scotland's cities.** Public and private sectors will share the risks by taking a payment by results approach.

- **The new funding model is designed to stimulate growth, create jobs and support businesses, with an initial focus across Scotland's seven cities** – Aberdeen, Dundee, Edinburgh, Glasgow, Inverness, Perth and Stirling. This approach will help to unlock stalled sites and ensure the public sector also benefits from the success of investments.

- **The Scottish Government and Scottish Futures Trust are currently working with each of the cities** to better understand how the model could be deployed to support and accelerate investment in economically sustainable infrastructure.

- **Wider application of the approach is also being assessed through initial discussions with the three Ayrshire Councils, Stirling Council and East Lothian Council. TO BE UPDATED BY HELEN CARTER**

- **The aim of GA is to deliver a new funding mechanism for the delivery of public sector enabling infrastructure** which effectively then creates the conditions to support further public/private sector investment, driving economic growth and regeneration.

- **This additional economic activity results in a series of income streams**, with these income streams flowing to different parties – Local Government, Central

Government and private sector investors. GA is predicated on diverting a portion of these income streams to repay initial enabling infrastructure funding.

- **Core principles at heart of approach is the a focus on:**
    - Outcomes that deliver economic growth; and
    - A payment by results approach that shares risk across the public and private sectors.

Funding Agreement for the St James Quarter, Edinburgh

- **The GA agreement with City of Edinburgh Council that supports the delivery of the enabling infrastructure was formally concluded on Friday 14 October**. Meaningful construction work will now commence immediately on site week from 17 October 2016.

- Latest figures (October 2016) suggest that SG support through GA will unlock over £1 billion of private sector inward investment with all the associated economic benefits, more than 2,300 permanent jobs secured, c3,000 temporary jobs over the construction phase, establishment of a training academy and an estimated £25m in net additional revenues per annum flowing into the Scottish Economy over the longer term.

- The Scottish Government will provide funding of £4.27 million over 25 years (£106.75 million in total) from resource budget [NOT YET IN PUBLIC DOMAIN].

- As part of the funding agreement for the Edinburgh St James Quarter GA, the Scottish Government has committed to a future contribution to the City of Edinburgh Council dependent on the investment delivering the following three outcomes:

    - economic growth from the centre itself;
    - economic growth from the surrounding area; and
    - the provision of training and jobs aimed at those furthest from the market.

- This contribution will take the form of a grant to the City of Edinburgh Council based on the performance against these targets. Standard governance arrangements will cover the grant arrangements and payment will be linked to auditable data demonstrating performance. The contribution will not start to be paid until the objectives start to be met.

City Deals

Top Lines

- **An agreement between the Scottish Government, the UK Government and Local Authorities**, to stimulate the economy in Scottish cities and their regions.

- **The UK and Scottish Governments provide specific capital grants to city regions over 10 to 20 years for infrastructure and economic development projects.** The Local Authorities borrow further funds to supplement the government grants.

- **Cities and their regions are the engines of our economy.**

- **The Scottish Government is committed to working with all our cities to unlock investment**, whether that is individually or collectively and whether that is through a City Deal, one of the Scottish Government's devolved initiatives to stimulate growth and deliver infrastructure investment, or a combination of measures.

Lines

- **Three deals have been approved and signed to date (Glasgow Clyde Valley City Deal, Aberdeen City Region Deal and Inverness City Deal).**

- The UK Government has, following the **Glasgow Clyde Valley City Deal, created expectations amongst Scottish cities of significant funding**. We welcome confirmation that these expectations will be met. We also welcome a commitment to full and transparent engagement with UK Government.

- **£250 million Aberdeen City Region Deal announced end of January 2016.** This will see the UK and Scottish governments jointly invest £125 million each in the deal which has been brought forward by both Aberdeen and Aberdeenshire local authorities. The deal will address a number of proposals from the region including a new energy innovation centre, supporting industry to exploit remaining North Sea reserves as well as the expansion of Aberdeen harbour.

- **£315 million Inverness City Deal announced in March 2016 (signed in January 2017).** This will see Highland Council and the UK and Scottish Government working in partnership over 10 years. The Scottish Government will invest £135 million into the city's infrastructure with the UK Government committing up to £53 million and Highland Council and regional partners contributing £127 million. Funding will be targeted towards improving the regions transport and digital connectivity networks, fostering innovation of high growth businesses through the creation of a Northern Scotland Innovation Hub, promoting tourism and delivery of local housing and assisted living schemes.

- **The Inverness, Aberdeen and Glasgow City Region Deals are tripartite agreements between the UKG, SG and the relevant local authorities.** The Deals are responding to what local Leaders and industry have identified as the main

constraints on the regional economy and through investment and further local powers aim to secure long term sustainable economic benefits for the Region.

- **Scottish Government remains absolutely committed** to working with our cities to unlock investment, whether that is individually or collectively.

- **Together with SFT and through the Scottish Cities Alliance** we are exploring opportunities for all Scotland's cities.

- **We have made representations to the UK Government** seeking their support for further city deals in Scotland

  - The Scottish Government remains absolutely committed to supporting a City Region Deal for **Edinburgh and South East Scotland**. We are working closely with the city region partners to understand their ambitions and develop proposals which will unlock investment and secure and grow the regional economy. UKG and SG have agreed Terms of Reference to commence tripartite discussions for an ESES City Region Deal. **TO BE UPDATED BY HELEN CARTER**

  - In parallel, **Dundee and Perth, together with Angus and the north of Fife** have also signalled an intent to work together on city deal proposals, while **Stirling** is also developing proposals. **TO BE UPDATED BY HELEN CARTER**

- **Cities have a key role to play in securing long term growth in our economy.** Our focus is on engagement with partners around their strategic vision for future development – it is the vision that is most important.

- **Where that is clear and there are opportunities to bring partners together effectively**, then we have the basis for determining what delivery model will be most appropriate to local circumstances.

- **That is why we continue to discuss with partners the range of models** – city deals, growth accelerator and TIF – that can unlock investment and regeneration.

- **Beyond cities:** Addressing regional economic inequalities so that all Scotland's regions and communities can prosper is essential to increasing inclusive growth. We are encouraging regions facing economic challenges to work collaboratively to identify how best to deliver a vision for inclusive growth. As well as the **South Of Scotland Rural Regional Economic Development Programme** developed by the South of Scotland Alliance, work is also underway by the Ayrshire Economic Partnership to develop an **"Ayrshire Growth Deal".**

Core Principles – the basis on which SG is engaging

1. Any deal must fit within the overall framework of Scotland's Economic Strategy – making a clear and measurable significant long-term contribution to both prosperity and fairness.

2. Any deal must operate at a functional economic geography and be underpinned by robust governance at the regional level that includes key stakeholders (e.g. the wider public sector, business and industry).

3. The starting point for discussion should be a regional strategic vision for economic development.

4. Any deal would not diminish the requirement for individual projects to be appraised using established appraisal tools, including Green Book, STAG, EIA, as appropriate.

5. Discussions about a possible city deal do not constitute a commitment to agree a deal.

Glasgow & Clyde Valley City Deal

- The Scottish Government is a full partner in the Glasgow & Clyde Valley City Deal, supporting all three strands and contributing £500 million over 20 years to the Infrastructure Investment Fund.

- The eight GCV councils are: East and West Dunbartonshire, East Renfrewshire, Glasgow City Council, Inverclyde, North and South Lanarkshire and Renfrewshire

- The GCV City Deal includes three strands:

  - A £1.13 billion infrastructure investment fund (£500 million from SG) to enhance transport infrastructure; unlock new sites for housing and employment; and improve public transport over the next 10-20 years;
  - A £72 million life science and business support strand (£39 million from SG);
  - A £24 million employability strand (SG supporting the partnership approach)

Aberdeen City Region Deal

- The **£250m Aberdeen City Region Deal** will see the UK and Scottish governments jointly invest in the area (£125m each).

- The Aberdeen City Region Deal has been brought forward by both Aberdeen and Aberdeenshire local authorities in consultation with local businesses including those from the oil and gas sector.

- Reflecting the four programme areas of the economic strategy, proposals are constructed around four strategic policy themes connectivity, including transport and digital infrastructure; innovation; internationalisation and housing.

- The City Deal will address a number of proposals from the region including a new energy innovation centre, supporting the industry to exploit remaining North Sea reserves, as well towards the expansion of Aberdeen harbour, enabling the city to compete for decommissioning work.

- The City Deal also sets out how the region will diversify the biopharmaceutical and agri-food industries, diversifying the area's economy and creating new jobs and export opportunities, as well as commitments to improve digital connectivity across the area.

- **The £250 million Aberdeen City Region Deal agreement was officially signed on 21 November 2016.**

Scottish Government's additional £254 million in North East's infrastructure

- On 28 January 2016 the Scottish Government announced that it will invest, over the same 5-10 year time span as the Aberdeen City Region deal, **an additional £254 million** in the North East's infrastructure. This will be targeted towards delivery of improved transport and digital connectivity and local housing programmes requested by local authorities. Funding announced by Scottish Government will help make a step change to economy of the North East, through;

    - £200 million additional funding to help improve journey times and increase capacity on key rail links between Aberdeen and the Central Belt;
    - £24 million of funding for the trunk roads programme to support improvements to the key A90/A937 south junction at Laurencekirk;
    - £10 million for extension of digital infrastructure in the Aberdeen and Aberdeenshire area above and beyond the commitment through the City Deal; and
    - £20 million in infrastructure funding to unlock housing sites that are of strategic importance to the local authorities: and
    - 5 year certainty on £130 million of affordable housing grant.

Inverness City Deal

- On 22 March 2016, a **£315m Inverness City Deal** was announced that will see Highland Council and the UK and Scottish Government working in partnership over 10 years. The Scottish Government will invest £135 million into the city's infrastructure with the UK Government committing up to £53 million and Highland Council and regional partners contributing £127 million.

- Funding will be targeted towards improving the regions transport and digital connectivity networks, fostering innovation of high growth businesses through the creation of a Northern Scotland Innovation Hub, promoting tourism and delivery of local housing and assisted living schemes.

- The City Deal will provide a step change in providing opportunities to enhance and accelerate the delivery of long-term aspirations, through;

    - Significant investment in the trunk road network to deliver the strategic A9/96 Link Road improvement and grade separation of the Longman interchange to improve congestion and accessibility to Inverness.
    - The delivery of substantial investment in Inverness Castle to support local tourism and the regional economy.

- Investment to deliver 6,000 new houses over 20 years of which, 1,800 are to be affordable homes.
- Support the commercialisation of new medical products and technologies at the new multi-disciplinary centre for clinical research and teaching on the UHI campus.

Scottish Cities Alliance

- The Scottish Cities Alliance is the collaboration of Scotland's seven cities and the Scottish Government. It is strategically facilitated by the Scottish Council for Development and Industry (SCDI). It aims to attract external investment, stimulate economic activity and most importantly, create new jobs and business opportunities.

- Through the Scottish Cities Alliance ,which is the collaboration of Scotland's seven cities and the Scottish Government, we are exploring opportunities for all Scotland's cities. The Cities Alliance is strategically facilitated by the Scottish Council for Development and Industry (SCDI) and aims to attract external investment, stimulate economic activity and most importantly, create new jobs and business opportunities.

- In August 2014, the Local Government and Planning Minister announced that the Scottish Government will invest £500 million in infrastructure in Glasgow by way of a City Deal agreement between the Scottish Government, UK Government and the eight Glasgow and Clyde Valley councils. The infrastructure fund for the area will total £1.13 billion over next 20 years and funding will be targeted towards enhancing transport infrastructure, unlocking new sites for housing and employment and improving the city's public transport system.

- The Cabinet Secretary for Infrastructure, Investment and Cities has written to each of the cities to put on record his willingness to explore how best to deliver the infrastructure investments outlined in city investment plans and the associated Scottish Cities Alliance investment prospectus.

- He has said that he is fully prepared to work with any Scottish city to develop a strong case for a City Deal to take to UK Government – if that is what the city believes will best serve its needs. The Scottish Futures Trust is working with each of the cities to explore all the options.

National Housing Trust

The Scottish Government, with support from the Scottish Futures Trust (SFT), developed the original National Housing Trust (NHT) model for councils and developers.

This model leverages in private sector funding and council borrowing to support the delivery of homes for intermediate rent.

Developers build the homes to agreed standards and timescales. Limited Liability Partnerships (LLPs) are set up to oversee progress on each developer's site within a council area.

The members of the LLP are the council, the developer and SFT. Once complete, the homes are purchased by the relevant LLP.

NHT Lines

- **The National Housing Trust (NHT) initiative was developed by the Scottish Government with support from the Scottish Futures Trust.**

- **This model leverages in private sector funding and council borrowing to support the delivery of homes for intermediate rent.** Developers build the homes to agreed standards and timescales. Limited Liability Partnerships (LLPs) are set up to oversee progress on each developer's site within a council area. The members of the LLP are the council, the developer and SFT. Once complete, the homes are purchased by the relevant LLP.

    - First guarantee-based model for housing in the UK.

    - Has passed a double milestone - over 2,000 affordable rented homes approved and more than 1,000 homes completed to date (1,345 as at January 2017).

    - NHT is delivering without grant subsidy – for every 1,000 homes delivered through the original model, an SG guarantee of around £2.8 million is unlocking around £146 million of housing development and supporting 1,300 jobs.

NHT Model Summary

The Scottish Government, with support from the Scottish Futures Trust (SFT), developed the original National Housing Trust (NHT) model for councils and developers.

This model leverages in private sector funding and council borrowing to support the delivery of homes for intermediate rent. Developers build the homes to agreed standards and timescales. Limited Liability Partnerships (LLPs) are set up to oversee progress on each developer's site within a council area. The members of the LLP are

the council, the developer and SFT. Once complete, the homes are purchased by the relevant LLP.

The LLP pays between 65% and 70% of an agreed purchase price to the developer upfront. This contribution is funded by participating councils who provide loans to the LLPs in their area. This is primarily through on-lending borrowing which has been raised from the Public Works Loan Board (PWLB). The remaining 30% to 35% of the purchase price is contributed by the developer as a mixture of loan funding and equity investment.

Homes are expected to be available to tenants at an intermediate rent for five to 10 years. The developer puts in place an agent(s) to manage the homes and to carry out maintenance and repairs to agreed customer service standards. Managing agents allocate homes to tenants based on criteria agreed with the council.

Each LLP's income from tenants' rents will be used to pay interest to the council so it can finance its own borrowing for the initiative and will also pay interest on the loan from the developer and pay for agents responsible for managing and maintaining the homes. The Scottish Government provides a guarantee to participating councils that it will cover capital and interest payments due to the PWLB if the LLP is unable to pay what it owes to the council.

The developer can trigger the sale of the homes between years six and 10. The sales proceeds will be used firstly to repay the council's loan to the LLP and then to recoup any calls on the Scottish Government guarantee. This is before the developer receives any repayment of equity capital (up to a capped level).

NHT Council Variant Model Summary

Following the success of the original NHT model for councils and developers, SFT and Stirling Council, in conjunction with the Scottish Government, developed a local model of NHT which offers further flexibility for councils.

The 'NHT council variant' follows the same basic principles as the original NHT model but places the council (rather than the developer) at the heart of a partnership which is set up to own, manage and maintain the homes for mid-market rent. The partnership (in the form of an LLP) has only SFT and the council as members and offers councils greater control in relation to the homes delivered under the initiative. The model is supported by a capped Scottish Government revenue-only guarantee.

The NHT council variant has only one LLP per council area and gives councils flexibility as to when homes enter the initiative. Councils can propose homes for the LLP to acquire including both new build homes and homes purchased from owners in the secondary market. The homes must be available for rent for between five and 10 years, after which time the council can determine what happens to the homes (for example open market sale, sales to sitting tenants, or retaining the homes for use as housing in perpetuity). As with the original model, while homes are part of the NHT initiative they are let by the LLP on Scottish Short Assured Tenancies.

PFI / NPD / HUB UNITARY CHARGE PAYMENT FIGURES

The unitary payment charge is paid by the public sector procuring body to the private sector consortium for the services agreed and provided over the length of a PFI, NPD or hub contract. The services provided are dependent on type of project but normally include capital construction, lifecycle maintenance and facilities management where relevant.

Payment figures in table comprise both what procuring authorities are paying, and the Scottish Government's funding/part funding in support of the projects.

- **PFI figures** are taken from the last (2016) Scottish Government data update return provided to HM Treasury and relate to data as of 31 March 2016.

- **NPD figures (pre-November 2010)** are taken from a data update undertaken by the Scottish Government (2016) simultaneous to the HM Treasury PFI update and relate to data as of 31 March 2016.

- **£3.5bn Pipeline of Revenue Funded Projects (NPD/hub) figures** relate to those NPD and hub projects which are operational or in construction and which form part of the Scottish Government's current revenue funded NPD/hub investment programme initially announced in November 2010 (Last updated on 29 March 2017).

    - For those projects which are operational, information relates to data as at 31 March 2016.
    - For those projects in construction / contract signed, information relates to data as at financial close.

- **Figures are expressed in £ million's** and relate only to projects which have reached financial close (i.e. contract signed).
- Figures are relevant to those projects which are currently in construction, are operational and still under contract, and those where the contract has naturally expired (see note below).
- PFI contracts **terminated and bought** out before contract end are not included within the figures (see further information below).

£m	*97-98*	*98-99*	*99-00*	*00-01*	*01-02*	*02-03*	*03-04*	*04-05*
PFI	0.2	14.1	68.7	83.1	164.8	286.9	346.4	367.2
NPD	-	-	-	-	-	-	-	-
NPD/hub	-	-	-	-	-	-	-	-
TOTAL	**0.2**	**14.1**	**68.7**	**83.1**	**164.8**	**286.9**	**346.4**	**367.2**
£m	*05-06*	*06-07*	*07-08*	*08-09*	*09-10*	*10-11*	*11-12*	*12-13*
PFI	397.6	440.3	504.7	578.7	707.1	787.7	866.0	901.5
NPD	-	0.3	5.4	12.4	28.4	35.4	39.0	52.4
NPD/hub	-	-	-	-	-	-	-	-
TOTAL	**397.6**	**440.6**	**510.1**	**591.2**	**735.6**	**823.1**	**904.9**	**953.9**

£m	*13-14*	*14-15*	*15-16*	*16-17*	*17-18*	*18-19*	*19-20*	*20-21*
PFI	921.3	955.5	973.8	983.7	1001.9	1017.3	1023.4	1036.2
NPD	54.4	55.3	55.7	56.2	57.3	58.2	59.1	60.1
NPD/hub	0.6	3.4	17.7	60.7	178.4	249.6	258.6	262.1
TOTAL	**976.3**	**1014.2**	**1047.1**	**1100.7**	**1237.6**	**1325.1**	**1341.2**	**1358.4**
£m	*21-22*	*22-23*	*23-24*	*24-25*	*25-26*	*26-27*	*27-28*	*28-29*
PFI	1047.6	1038.6	1050.5	1053.1	1054.2	1022.6	1001.9	988.6
NPD	61.1	62.1	63.1	64.2	65.3	66.4	67.6	68.8
NPD/hub	263.6	265.2	266.7	268.3	269.9	271.6	273.4	275.2
TOTAL	**1372.2**	**1365.9**	**1380.3**	**1385.6**	**1389.4**	**1360.6**	**1342.9**	**1332.5**
£m	*29-30*	*30-31*	*31-32*	*32-33*	*33-34*	*34-35*	*35-36*	*36-37*
PFI	940.8	840.6	785.9	768.0	754.8	627.5	616.0	616.4
NPD	70.0	71.2	72.5	73.9	75.2	67.8	60.2	61.4
NPD/hub	276.9	278.8	280.7	282.7	284.8	286.8	288.9	291.1
TOTAL	**1287.7**	**1190.6**	**1139.1**	**1124.6**	**1114.8**	**982.1**	**965.1**	**968.9**
£m	*37-38*	*38-39*	*39-40*	*40-41*	*41-42*	*42-43*	*43-44*	*44-45*
PFI	532.9	447.7	307.1	202.7	154.8	-	-	-
NPD	62.7	63.9	31.2	21.7	21.5	2.0	-	-
NPD/hub	293.3	294.8	293.8	284.2	241.8	169.7	116.2	107.3
TOTAL	**888.8**	**806.5**	**632.1**	**508.6**	**418.1**	**171.7**	**116.2**	**107.3**
£m	*45-46*	*46-47*	*47-48*	*48-49*	*49-50*	*50-51*	*51-52*	*52-53*
PFI	-	-	-	-	-	-	-	-
NPD	-	-	-	-	-	-	-	-
NPD/hub	103.1	101.8	31.5	-	-	-	-	-
TOTAL	**103.1**	**101.8**	**31.5**	**-**	**-**	**-**	**-**	**-**

* All figures have been rounded and some total figures subsequently may not add up exactly to the sum of the rounded figures.

Key facts and figures for all PPP/PFI & NPD Payments

PFI payments

- Total cost of PFI payments (88 projects, 6 of which have naturally expired) from 1997-98 to 2041-42 is approx **£30.3 billion** (£30,280m). Payments peak in year 2025-26 at approx **£1.1 billion** (£1,054m).

NPD payments (pre-November 2010)

- Total cost of NPD payments pre-£3.5bn NPD Pipeline (5 projects) from 2006-07 to 2042-43 is approx **£1.9 billion** (£1,903m). Payments peak in year 2033-34 at approx **£75.2 million** (£75.2m).

£3.5bn NPD/hub Pipeline payments

- Total cost of NPD/hub payments (40 projects *) from 2013-14 to 2047-48 is approx **£7.5 billion** (£7,493m). Payments peak in year 2038-39 at approx **£294 million** (£294.8m).

Total combined cost of all PFI, NPD & NPD/hub payments

- Total combined cost of PFI and NPD payments including £3.5bn Pipeline of Revenue Funded Projects (133 projects) from 1997-98 to 2047-48 inclusive, is approx **£39.7 billion** (£39,677m). Combined payments peak in year 2025-26 at approx **£1.4 billion** (£1389.4m).

** Awaiting unitary payments from SFT on 3 other projects which have reached financial close.*

Notes:

- **HM Treasury only publish information relating to ongoing 'PFI' contracts on its website**. However figures relating to Scottish NPD projects (pre-£3.5bn Pipeline) and those included in the £3.5 billion NPD/hub Pipeline, are published on the Scottish Government's Infrastructure Investment Unit's website.

- **Information concerning PFI projects on HM Treasury's website relate only to existing ongoing contracts** and therefore do not include those PFI contracts which have come to the end of their natural contractual life (i.e. expired). There are currently 6 PFI contracts which fall into this category in Scotland and in order to fully reflect the Scottish position these figures are also included within the figures provided within this brief.

- **The 6 PFI contracts which have expired** (i.e. PFI contractual period naturally ended) are as follows:

    1. Highland IS/IT Services (£13m) - Highland Council;
    2. Kincardine Community Hospital (£3.8m) - NHS Grampian;
    3. Moray Integrated Education Management Service (£5.6m) - Moray Council;
    4. HIS (SGH) (£0.3m) - NHS Greater Glasgow and Clyde;
    5. HIS (Yorkhill) (£2.5m) - NHS Greater Glasgow and Clyde; and
    6. SCRA - Integrated Information System - Scottish Children's Reporter Administration (£3m) - This PFI contract officially expired on 4 June 2014 and is therefore still included within HM Treasury's 2014 publication.

- **No new PFI projects have been initiated since 2007** and there are now no SG funded or part funded PFI projects in procurement or construction.

- **Unlike the majority of previous PFI projects**, most of the contracts for those projects within the **£3.5 billion revenue funded pipeline (NPD/hub)** will not have 'soft' facilities maintenance included (e.g. cleaning etc). However 'hard' facilities maintenance is included (e.g. building maintenance). Likewise, the majority of the unitary charge payments relating to the construction costs and the financing of that construction are not indexed linked (i.e. they do not automatically increase with inflation each year).

PFI Contracts which have been Terminated

- **Four operational** PFI contracts in Scotland have been terminated since the inception of PFI - The Skye Toll Bridge, Inverness Airport Terminal, West Lothian College and Stirling Further Education Centre.

  1. **The Skye Toll Bridge** between Kyle & Kyleakin was opened in 1995 and bought out in December 2004. The PFI project had a capital value of £23.6m with the procuring body being the old Scottish Office.

  2. **Inverness Airport Terminal** was opened in 1999 and bought out in January 2006. The PFI project had a capital value of £9.5m with the procuring agency being Highlands & Islands Airports Ltd (HIAL).

  3. **West Lothian College** moved in 2001 from outdated premises in Bathgate to a brand new campus in Livingston. The project had a capital value of £15m with the procuring agency being West Lothian College. A decision to terminate the PFI contract was announced by the college on 2 April 2007.

  4. **Stirling Further Education Centre** opened in Stirling in 1998 and the project had a capital value of £3.6m. A decision to terminate the PFI contract was announced by Scottish Funding Council (SFC) in January 2011 that this college PFI contract had now been terminated.

Q&A

Why were these operational PFI contracts bought out?

The Skye Toll Bridge was an early PFI contract. Following a political commitment to abolish tolls on the Skye Bridge, a comprehensive value for money study was commissioned to ascertain the best value means of doing this. This study led to the then Scottish Executive buying out the PFI contract from the operators in December 2004 at a cost of £27m.

Inverness Airport Terminal was also an early PFI contract. Following a review of the contract in the light of altered market conditions, it was decided that a continuation of this PFI contract would not offer continued value for money over the remainder of its agreement. The contract was therefore bought out in January 2006 at a cost to the then Scottish Executive of £27m. In addition, as part of the termination compensation package, a tax liability of £2.9m was paid.

West Lothian College was another early PFI contract which was small by PFI standards and contained some features which would not be seen in a modern PFI contract. The Scottish Funding Council felt that there were aspects of this particular contract which did not represent best value to the public. Ministers authorised the Scottish Funding Council to pursue whatever option, including termination, it judged to represent best value. Negotiations between West Lothian College and the contractor/operator BAM-PPP resulted in a termination cost of £27.7 million. The Scottish Funding Council regarded the figure as representing better value than continuation or partial buy-out. The buy-out costs exceeded the estimate of £25 million

(i.e. prior to negotiations). The Council was able to identify the balance of £2.7 million from within its existing capital budget.

Stirling Further Education Centre was not appropriate for the considered curriculum areas and lacked the scope for redevelopment that Forth Valley College (FVC) was making plans for. Given the scale of the PFI, the cost of buying it out and the fact that this space would be redundant once a new campus was complete, SFC considered the value-for-money of the proposal and agreed with the College that its buy-out of the PFI was value for money in this case.

PPP/PFI Contracts (SFT'S Operational Review)

- **We have asked the SFT to examine potential ways of reducing existing PFI contract payments.** SFT have undertaken a review of a number of operational PPP contracts across Scotland to identify opportunities where, with further focussed work, significant savings could be achieved.

- **SFT has been working with public bodies to realise savings and contract management improvements in relation to individual contracts**, especially insurance premium sharing, where considerable savings have been made, and there is on-going work on, change in law, refinancing of sub debt and payment mechanism issues.

- **SFT's work on in depth reviews of operational PPP contracts** and on a number of targeted reviews has resulted in both one-off and annual recurring savings.

SFT Lines

- **Some of Scotland's essential infrastructure such as hospitals, schools and roads are delivered through Public Private Partnerships (PPP).** These assets, valued at over £6bn incur contract payments from public sector budgets that run close to £1bn per annum. These historic contracts are often complex and need active management by the public sector.

- **Building on the positive momentum of previous years, during 2014,** SFT's operational contract management team carried out further in-depth and targeted reviews of education and health projects to identify increased value and savings, estimated to be over £1m per annum recurrent year on year, as well as significant one-off savings.

- **More recently, SFT has formed a collaborative working arrangement with the NHS** to create a specialist team to support all NHS boards in improving PPP contract management, share best practice and drive value on a consistent basis across the country.

- **SFT's 2017-18 Business Plan states** that objectives for the year:

  - Further develop the programme, contributing to efficiency savings of £15m;

- Establish a collaborative arrangement across public sector bodies for the contract management of PPP projects in two geographical areas; and
- Assess the value for money, affordability and other implications of ending PPP/PFI arrangements.

- **SFT continues to work with public authorities in Scotland to assist in making savings and improving performance across PFI/PPP contracts.**

- In relation to interest rates, there is a mechanism within PFI/PPP contracts for the private sector to pursue a process known as refinancing, in circumstances where a reduction in financing costs can be achieved.

- PFI/PPP contracts utilise long term senior debt financing that comprises either a completely a fixed rate or more usually, a fixed element and a variable element (known as a margin). Given their nature, savings can generally not be made on the fixed element. Economic condition in the financing markets have meant that for projects that were entered into prior to 2008, margins were generally lower then than in current conditions meaning that savings are not possible. Most local authority contracts were conclude within that period.

- SFT is currently supporting a number of public sector stakeholders whose contracts completed after 2008 where refinancing gains may be possible.

Health - Car Parking charges at health facilities in Scotland

Project Name	Contract term	Capital value (£m)	Notes	Financial Close
NHS Lothian - Royal Infirmary of Edinburgh	33	180.0	**Ongoing PFI contract**	31/08/1998
NHS Greater Glasgow - Car Parking Facilities Glasgow Royal Infirmary charges for car parking.	20	8.0	**NHS GG&C confirmed in 2009 that this is not a PFI contract.** GRI referred to as PFI on NHS GG&C website. Car Park being paid for through revenue raised and therefore there are no unitary charge payments.	30/09/2003
NHS Tayside – Car Parking facilities	30	3.3	**SG Health colleagues confirmed in 2009 that**	31/12/1997

(Ninewells, Dundee)			**this is not a PFI contract**	

OTHER ONGOING MAJOR INFRASTRUCTURE PROJECTS

Transport

- **Queensferry Crossing (£1.325bn-£1.35bn) -** In Construction and expected to operational by August 2017.

- **Edinburgh Glasgow Improvement Programme EGIP (£795m) -** In Construction and expected to be delivered by March 2019.

- **Aberdeen to Inverness Improvement Project (£330m-£332m)** – In Construction and expected to be delivered by September 2019.

- **Shotts Electrification (£80m-£160m)** – In Construction and expected to be delivered by March 2019.

- **Stirling Dunblane Alloa Rail Electrification (£92m-£159m)** – In Construction and expected to be delivered by December 2018.

- **CMAL - Two new 100 metre ferries (£97m)** - In Construction. contract awarded in October 2015 for design and construction work.

- **A737 Dalry Bypass (£56m-£61m)** - In Procurement. Transport Scotland announced in March 2017 that it intends to award construction contract subject to a mandatory standstill period and construction will commence in the next few weeks.

- **A9 Dualling Programme - Kincraig to Dalraddy scheme (£45m)** - In Construction (first phase in the £3 billion dualling programme).

Health

- **NHS Grampian's Aberdeen Baird Family Hospital and ANCHOR Centre (£156m-£157m)** In Preparation with construction expected to commence in 2018.

- **NHS Ayrshire and Arran - Building For Better Care (£27.6m-£29.6m)** - In Construction and expected to operational by end of May 2017.

Further Education

- **Forth Valley College Falkirk Campus (£83m) -** In Procurement following Full Business Case approval in December 2016. Construction due to commence September 2017.

Prisons

- **National Facility for Women Offenders (£45m)** – In Procurement with construction due to commence October 2018.

Culture

- **V&A Museum of Design Dundee (£80m)** - In Construction. Building should be completed by the end of 2017 and opened to the public before June 2018 (Scottish Government has pledged a capital contribution towards the project of £25 million).

GOVERNMENT INFRASTRUCTURE COMMISSIONS

Potential Scottish Infrastructure Commission

- The Scottish Government has no current plans to establish an additional level of governance around its infrastructure programme, along the lines of the proposed Scottish Infrastructure Commission.

- It is expected however that Ministers will keep this position under review, following the election outcome, including through any future engagement with the UK National Infrastructure Commission.

- A number of helpful mechanisms already exist that support a strategic approach in Scotland, including:

    - the role of the Infrastructure Investment Plan and regular reporting on project delivery;
    - the focus on low carbon in both the National Planning Framework and Scotland's Economic Strategy and the influence they have on government policy; and
    - the operational role of the Scottish Futures Trust in driving innovation and collaboration between delivery partners.

UK Government's National Infrastructure Commission

- The UK Government's National Infrastructure Commission (NIC) has been set up to enable long term strategic decision making to build effective and efficient infrastructure for the UK. It will be established by legislation as an independent body and the commission will work with HM Treasury.

- The commission was set up on an interim basis on 5 October 2015 and will look at the UK's future needs for nationally significant infrastructure, help to maintain UK's competitiveness amongst the G20 nations and provide greater certainty for investors by taking a long term approach to the major investment decisions facing the country.

- Lord Adonis is the Interim Chair of the commission and Phil Graham is the CEO.

- The commission will publish a National Infrastructure Assessment every Parliament setting out its analysis of the UK's infrastructure needs over a 10 to 30 year horizon. The government will be required formally to respond to the recommendations of the commission.

- The commission has also been tasked with carrying out specific studies of pressing infrastructure challenges. The commission will have a remit which will ensure that it recommends infrastructure that is sustainable, affordable and provides real economic benefit.

- **The National Infrastructure Commission moved from an interim status to one which sees it permanently established as an Executive Agency of HM Treasury on 24 January 2017.**

- The commission also published a Framework Document (articulating its relationship with the government) on 24 January 2017. The Chief Secretary to the Treasury David Gauke wrote to **Scottish Ministers** on 23 January 2017 with an update on this, and to set out how the Commission will function with regard to devolution.

- The Cabinet Secretary for Economy, Jobs and Fair Work, Keith Brown wrote to the Chief Secretary to HM Treasury, David Gauke on XX February 2017 in response to his letter. The letter indicted that Mr Brown would also be writing to the Chief Executive of the National Infrastructure Commission in relation to the National Infrastructure Assessment call for evidence published in October 2016 and which closes on 10 February 2017.

Framework Document Overview

The National Infrastructure Commission (NIC) has been established as an executive agency of the Treasury to provide impartial, expert advice and make independent recommendations to the government on economic infrastructure. The NIC will operate independently, at arm's length from government.

Its objectives are to:

- support sustainable economic growth across all regions of the UK;
- improve competitiveness; and
- improve quality of life.

The Commission will advise the government on all sectors of economic infrastructure, defined as follows:

- Energy
- Transport
- Water and Wastewater (drainage and sewerage)
- Waste
- Flood Risk Management; and
- Digital Communications.

The Commission will also consider the potential interactions between its infrastructure recommendations and housing supply.

The NIC's remit extends to economic infrastructure within the UK government's competence, and will evolve in line with devolution settlements. This means the NIC will have a role in relation to non-devolved UK government infrastructure responsibilities in **Scotland**, Wales and Northern Ireland (and all sectors in England).

The NIC will engage closely with Devolved Administrations and bodies under their jurisdictions as appropriate, particularly on matters where the respective infrastructure policy responsibilities of the UK government and devolved administrations interact.

The NIC should ensure that appropriate working arrangements are in place. The fiscal remit does not include spending where infrastructure investment decisions rest with the devolved administrations in **Scotland**, Wales and Northern Ireland.

Welsh Government's National Infrastructure Commission

New plans that will improve infrastructure in Wales over the next 30 years and beyond were outlined on 17 October 2016 by Welsh Government economy secretary, Ken Skates.

Skates has set out his plans to establish a National Infrastructure Commission for Wales that will provide advice, analysis and recommendations on Wales' longer term strategic infrastructure needs. The new commission is intended to inform and strengthen decision making around major projects in Wales and create the right conditions for stable and long-term investment.

Once up and running it will provide technical expert advice on decisions around all economic and environmental infrastructure in Wales including energy, transport, water and sewerage, drainage, digital communications and flood management.

Speaking about the establishment of the commission, Skates said: "The range and quality of a country's infrastructure is fundamental to the wider wellbeing of its people, which is why I am determined to ensure that Wales has the necessary physical systems and services in place to enable it to work effectively.

"Indeed in the current climate of financial uncertainty it is more important than ever that we seek to strengthen how we consider and prioritise Wales' infrastructure needs. Our establishment of the National Infrastructure Commission will move us towards a better informed, longer term strategy for infrastructure investment which supports the principles of our Well-Being of Future Generations Act.

"It will provide us with independent, expert and strategic advice on our infrastructure decision making and importantly, will also help us to ensure the best long term value for Welsh public money."

In a consultation document A National Infrastructure Commission for Wales the Welsh Government says it wants the commission to be up and running in the next 12 months. It also calls on interested parties to provide their views on how the commission should operate by 9 January 2017.

The National Infrastructure Commission for Wales will publish an annual report on its work as well as undertake individual commissioned projects. It will also work alongside the UK Infrastructure Commission where responsibilities interact.

The Wales Infrastructure Investment Plan would continue to be set by the Welsh Government, informed by the work of the new commission.

DIGITAL

Programme for Government 2016-17 (September 2016)

As announced in the Programme for Government, we are putting digital connectivity at the heart of our agenda and delivering 100% superfast broadband for Scotland by the end of the next Parliament is one of our priorities.

Procurement for delivering 100% superfast broadband access for Scotland will start within the next 12 months. A Prior Information Notice (PIN) has been published on Public Contracts Scotland to provide potential suppliers with information on the project, with the intention to start procuring these contracts early next year.

Digital Scotland Superfast Broadband

- Commercial roll-out plans cover certain areas in the country but there are many areas where commercial infrastructure providers have chosen not to develop. The Digital Scotland Superfast Broadband Programme aims to provide fibre broadband infrastructure to those areas.

- The programme is being delivered through two projects – the first covering the Highlands and Islands and the second covering the rest of Scotland. Both projects are being realised in partnership with BT, and are being funded by a total of £410 million in public and private sector investment.

- Combined with the current commercial roll-out plans, around 95% of premises in Scotland should have access to fibre broadband by the end of 2017 and 85% by the end of 2015.

The Scottish Government and partners are investing £410 million in a capital programme to extend fibre broadband infrastructure to areas where the market would not otherwise go.

The 'Digital Scotland Superfast Broadband' (DSSB) programme is ongoing and consists of two projects - one covering the Highlands and Islands area, and the other covering the Rest of Scotland.

Highlands and Islands
Project is led by Highlands and Islands Enterprise and includes the following local authority areas: Highland, Moray, Orkney Islands, Shetland Islands, Eilean Siar (Western Isles), parts of Argyll and Bute and part of North Ayrshire (Islands).

Rest of Scotland
Project area includes the following local authority areas: Aberdeen City, Aberdeenshire, Angus, parts of Argyll & Bute, Clackmannanshire, Dumfries & Galloway, Dundee City, East Ayrshire, East Dunbartonshire, East Lothian, East Renfrewshire, City of Edinburgh, Falkirk, Fife, Glasgow City, Inverclyde, Midlothian, North Ayrshire (apart from the Islands), North Lanarkshire, Perth & Kinross,

Renfrewshire, Scottish Borders, South Ayrshire, South Lanarkshire, Stirling, West Dunbartonshire, West Lothian.

Community Broadband Scotland

- Community Broadband Scotland (CBS) is a £7.5 million SG initiative which is targeted at those communities in the last 5% least likely to benefit from a next generation broadband solution under DSSB to ensure that they are not left behind. It will run until at least March 2018.

- CBS helps communities with advice, guidance and funding to deliver community-owned projects at the scale required to deliver robust, sustainable solutions. The primary focus of the funding is to support projects that will provide learning, act as case studies and provide technical solutions and sustainable business models that could be replicated across Scotland.

- To date, CBS has provided project scoping/planning funding to 35 communities across Scotland. A further nine communities have already received approval and capital funding, delivering or building broadband solutions to cover 1456 premises (as 30 January 2015). CBS is also engaged with over 80 pre-application 'pipeline' projects.

World Class Digital Infrastructure

- SG has set out an ambition for Scotland to be a world class digital nation by 2020. A key part of this is future-proofed digital infrastructure that will deliver world class connectivity across all of Scotland.

- As a key first step, SG and partners are investing over £410m in the Digital Scotland Superfast Broadband programme (DSSB) to extend fibre broadband infrastructure into non-commercial areas. Alongside commercial investment, this will extend fibre broadband access to at least 95% of premises in Scotland by the end of 2017.

- This public investment, alongside commercial roll-out of superfast broadband and 4G networks, will be important in improving connectivity and driving further demand for high bandwidth services. However, further investment is likely to be required if Scotland is to have a truly future-proofed digital infrastructure that supports any device, anywhere, anytime connectivity.

- SG is currently working with Scottish Futures Trust to develop our World Class Digital Infrastructure programme. This will assess how far current projects will take us in terms of delivering the infrastructure elements of the World Class vision; identify what the gaps are; and assess how the public sector can intervene most effectively to stimulate market investment. We will set out key findings from this analysis, and outline our approach in more detail, later this year *(on 9 October 2014 the Finance Secretary announced details relating to £1 billion NPD programme extension via 2015-16 Draft Budget including £70m for development of projects to meet Digital and Low Carbon policy priorities).*

Mobile Coverage

- Mobile connectivity is an integral part of SG's World Class digital connectivity vision. SG recognises the importance of mobile coverage for rural areas, economically, socially and in terms of resilience. Achieving widespread 4G coverage throughout Scotland, whilst ensuring that the gap between those who don't receive 3G or even 2G services doesn't widen, is a key priority.

- SG is striving to use its current range of legislative powers to ensure Scotland enjoys optimal levels of 3G and 4G:

- Lobbying Ofcom – In 2013, SG successfully lobbied Ofcom to increase 4G coverage obligations. As a result of SG's intervention, Ofcom set one license (held by Telefonica O2) with an obligation to achieve 95% population coverage in Scotland.

- Planning Reform – We reviewed the planning system, which has been perceived by many in the industry as restrictive. In 2014 we legislated to extend permitted development rights to favour the deployment of telecoms infrastructure – both fixed-line and mobile – including deployment of 4G mobile services. We believe these changes will have a positive impact in rural locations as well as urban settings.

- We are also assessing a variety of options to address the coverage gaps which will remain once commercial 4G deployments are complete and the impact of the UK Government's Mobile Infrastructure Project and the recently announced agreement with operators to reach 90% voice and text coverage are known. For example, we are working in collaboration with Development Coll and Vodafone to bring 3G and 4G services to isle of Coll which was previously without any form of mobile coverage. The construction phase is already underway and it is anticipated that the new mast will be operational before the end of Q1 2015.

PUBLIC PROCUREMENT

- It is essential that public sector procurement, which is worth more than c£10 billion annually, brings the maximum possible public benefit.

- The Scottish Government is focused on using procurement as a lever for economic growth, streamlining the public sector's dealings with business, and adopting more efficient procurement practices that encourage competition and secure best value.

- Much has already been done in making it easier to bid for public sector work. For example, the Public Contracts Scotland (PCS) portal was launched in 2008 to provide easy online access to contract opportunities. PCS also allows main contractors on public sector contracts to advertise sub-contract opportunities, giving smaller firms the chance to bid for contracts further down the supply chain.

- The Procurement Reform (Scotland) Act 2014 will establish the laws regarding sustainable public procurement, and will require public bodies to consider how their procurement activity can improve the economic, social and environmental wellbeing of the authority's area.

CHANGES TO THE PUBLIC PROCUREMENT RULES IN SCOTLAND

- **Work on the development of the secondary legislation and statutory guidance arising from the Procurement Reform (Scotland) Act 2014 is being coordinated with transposition of three new EU Procurement Directives (relating to public sector contracts, utilities contracts and concession contracts) adopted last year.**

- On 9 February 2015, the Scottish Government published a public consultation seeking views on changes to the public procurement rules in Scotland that will give effect to the new Directives, as well as the Regulations and statutory guidance, including guidance on the living wage and other workforce matters, provided for by the Procurement Reform (Scotland) Act 2014. The consultation runs until 30 April 2015.

- The new EU Procurement Directives contain measures to make procurement easier and administratively less burdensome, simplifying and reducing the length of the procurement process. These measures - and the measures set out in the Procurement Reform (Scotland) Act 2014 - support access to public contracts by SMEs, enable a sustainable approach to the delivery of public services and reduce bureaucracy of public procurement procedures.

- Some of the changes introduced by the Directives are mandatory and we have no choice but to implement these by the 18 April 2016 deadline. There are also some elements where the Scottish Government have a choice about whether to, or how best to, implement further change. These discretionary elements, and the Scottish Government's plans to implement these, are the main focus of the consultation document.

- Responses to the consultation will inform the development of secondary legislation transposing the new Directives as well as secondary legislation and statutory guidance arising from the Act. It is our aim to introduce the new legislation by the end of 2015.

COMMUNITY BENEFITS

- **The Scottish Government is committed to using public contracts to deliver Community Benefits to provide training and employment opportunities and sub-contracting opportunities for small businesses and the third sector.**

- The Scottish Government's Community Benefits in Public Procurement Programme contributes to achieving the Government's national outcome of more and better employment opportunities for people. It has enabled a range of public bodies to maximise social benefits from public spending. Scotland has been recognised as a leader in this work.[1]

- Since 2008, and with the support of three Cabinet Secretaries, these clauses have increasingly been used in public contracts across the public sector to deliver thousands[2] of targeted training and recruitment opportunities.

- Scottish Procurement - in collaboration with colleagues in Employability Policy – have commissioned research around the impact of the Community Benefits in Public Procurement policy. This research is being conducted by the Training and Employment Research Unit, led by Professor Alan McGregor, at the University of Glasgow. It is expected that the research will be published shortly. Early indications from the research shows that the use of community benefit clauses has resulted in a high level of jobs and training opportunities that would not have happened otherwise.

- By supporting the use of these clauses, the Scottish Government has opened up opportunities for local organisations - including the supported employment sector and other social and community enterprises – to compete and to provide goods and services across Scotland's public sector.

NEW PROCUREMENT POLICY GUIDELINES ON 'EVALUATING EMPLOYMENT PRACTICES AND WORKFORCE MATTERS, INCLUDING LIVING WAGE, IN PUBLIC CONTRACTS'

- **The Scottish Government values the delivery of high quality services and recognises that service levels are often critically dependent on the quality and engagement of the workforce engaged in delivering public service contracts.**

---

[1] http://www.jrf.org.uk/publications/tackling-poverty-procurement
[2] http://www.scotland.gov.uk/Publications/2008/02/13140629/0
3 http://www.scotland.gov.uk/Topics/Government/Procurement/policy/SPPNSSPANS/policy-notes/SPPN2014/SPPN62014

- On 4 February 2015, the Scottish Government published guidance for public purchasers on promoting fair employment practices and workforce matters through public contracts (Scottish Procurement Policy Note 1/2015).

- The guidelines address a range of important issues for workers who are engaged in delivering public contracts, such as fair pay, including payment of the living wage, and fair employment practices, including the inappropriate use of zero hours contracts and umbrella companies.

- The policy note published on 4 February is a major step towards the statutory guidance, and will help public bodies ensure that employment practices and workforce matters are considered whenever it is likely to be relevant to service quality and contract delivery.

THE REVIEW OF SCOTTISH PUBLIC SECTOR PROCUREMENT IN CONSTRUCTION

- **The review reported in October 2013. Scottish Government accepted all but one of the recommendations. These are being implemented by a joint Scottish Government and Scottish Futures Trust team in collaboration with a wide range of stakeholders and under the overall governance of the Public Procurement Reform Board. Implementation will be complete by end of 2016.**

- Public sector construction procurement is worth in excess of £4bn annually to the Scottish economy. Through implementation of its recommendations, the review seeks to contribute to harnessing the power of public spending to benefit the sustainability of the Scottish economy to create and support jobs, as well as to provide the infrastructure which will keep Scotland working for generations to come.

- The implementation of the report's recommendations will represent a major change programme across the public sector and the Scottish Government is committed to playing its full part to support it.

- The Scottish Government, working with the Scottish Futures Trust and Construction Scotland's Industry Leadership Group, has developed an implementation programme to deliver the recommendations of the independent review of Scottish Public Sector Procurement in Construction prepared by Robin Crawford and Ken Lewandowski. This work has involved a wide range of public sector and industry stakeholders. Collaboration is at the heart of implementation.

- The plan, which was approved by the Public Procurement Reform Board in November 2014, will see the 66 recommendations implemented by the end of 2016. The plan was shared with over 70 public and private sector stakeholders at a workshop in early January.

- **Delivery Themes.** Work is well underway to implement the 66 recommendations through four central implementation themes covering 21 delivery workstreams. The four central themes are:

- **Collaborative procurement**. The delivery work under this theme will include work around Scottish Government structures to implement the recommendation, skills and capability; linkages and collaboration; benchmarking and Building Information Management.

- **Efficient procurement**. This is a wide area and includes delivery work around ensuring that processes including PQQ and ITTs and systems for letting construction contracts are appropriate and proportionate.

- **Sustainable procurement**. This is at the heart of the Scottish Procurement Model and implementation covers a wide range including work to further embed fair payment within the construction industry, increase SME access to public construction contracts including frameworks and provide guidance on community benefits and environmental sustainability.

- **Outcomes focused procurement**. Guidance and systems will be developed to mainstream best practice and embed whole life costing and design in public sector construction.

- **Missc issues:**

  - **Project Bank Accounts (PBA).** A PBA is a ring-fenced bank account out of which a public body can make direct payments to subcontractors at the same time as those made to the main contractor. The main contractor does not control the timing of cashflow released to the supply chain. Underpinned by legal "trust" status, a PBA can protect subcontractors' payments from main contractors in the event of insolvency. Payments are made electronically and typically take five days. SPCD is co-ordinating a number of pilot projects across the public sector. The first of the pilot projects worth £1.4m has completed work on site – for Monklands Hospital – others with a value of £17.9m are on-going and will complete towards the end of this year. We have held a series of lessons learned meetings. The output from these will be used to help inform future policy.

  - 27 September 2016 - Engineering contractors have welcomed the announcement that project bank accounts (PBAs) are to be used on building projects over £4 million which are procured by Scottish Government bodies. PBAs are ring-fenced accounts from which payments can be made directly and simultaneously by a client to contractors and sub-contractors, improving cash flow through the supply chain. The Scottish Government has been co-ordinating trials for a couple of years and contractors received the first PBA payment from NHS Lanarkshire on two work packages worth £1.4 million at Monklands Hospital in April 2014. **Cabinet Secretary for Finance, Derek Mackay, revealed that the use of PBAs will be commonplace from October 31 2016.**

- **Building Information Modelling (BIM).** BIM Level 2 is essentially about creating value through collaboration throughout the entire life cycle of an asset. It provides a 3D digital model of the CAD (Computer Aided Design) representations of the asset's physical and functional characteristics that can be used for effective management of information throughout a project lifecycle – from earliest concept through to operation. The report recommended the use of BIM Level 2 by April 2017 on all construction projects. UK Govt has targeted BIM Level 2 compliance by 2016. Wales and Northern Ireland are also working towards implementing BIM Level 2. SFT are leading on implementation and are working closely with the Construction Scotland BIM Group. A pilot project will be set up and guidance produced.

EXAMPLES OF PROJECT ACHIEVEMENTS

- December 2016 - **NHS Lothian - Redevelopment of Royal Edinburgh Hospital Campus - Phase 1 (£49m)** - Handover for the new facility was concluded on 6 December 2016. The project was delivered within budget.

- October 2017 - **Ayrshire College Kilmarnock Campus (£53.6m)** - The new campus opened to students in October 2016. The project was delivered within budget.

- August 2016 - **City of Glasgow College (£228.6m)** - The main campus for City of Glasgow opened to students in August 2016 on programme and on budget. The Riverside Campus opened August 2015.

- May 2016 - **NHS Ayrshire & Arran's Acute Mental Health & North Ayrshire Community Hospital (£54.8m)** now called Woodland View, officially opened following practical completion in April. Woodland View will have 206 private en-suite bedrooms for inpatients distributed throughout 13 ward areas. Project forms part of the SG's revenue funded NPD/hub investment programme and was delivered on time and on budget.

- May 2016 - **NHS Lanarkshire Primary Care Health Centres (£50.6m)** - phased occupancy of the centres was concluded with Kilsyth opening in April 2015, Hunter Health Centre. East Kilbride in June 2015 and Wishaw in August/September 2015. Final completion of associated car parking works was concluded in May 2016. The project was completed to plan.

- March 2016 – The **A96 Inveramsay Bridge Improvement Project (£10.2m)** has completed and new traffic management has been implemented at this notorious bottleneck. The project which will carry the A96 over the Aberdeen-Inverness railway line, will end queuing at lights, improve journey time reliability and reduce the risk of bridge strikes and associated disruption. The project has been delivered on time and on budget.

- 29 October 2015 – **Alford Academy, Aberdeenshire (£26.1m)** which forms part of Alford Community Campus completed and opened to pupils. The campus facility also includes a new primary school and replaces the village's two ageing schools and has a capacity for 960 pupils. The campus includes a theatre, gym, sports hall, all-weather and grass playing fields and dance studio for the community to enjoy. Alford Academy forms part of the SG's NPD/hub investment programme and the campus will be formally opened by the Cabinet Secretary for Education and Lifelong Learning on 25 November.

- 6 September 2015 – **Borders Rail (Borders Rail (total cost £353m including £294m Network Rail construction contract)** passenger services commenced on the Borders Railway which is the longest new domestic railway line to be constructed in Britain in more than a century. This project was delivered on schedule and within budget and re-established passenger railway services for the

first time since 1969, from Edinburgh through Midlothian to Tweedbank in the Scottish Borders. The railway will be a real catalyst for growth in the Borders and Midlothian and will open up new opportunities for work, leisure, study and investment and business for these areas which will, in turn, benefit the wider Scottish economy.

- 11 August 2015 - **Inverness College (£52m)** opened to staff at its new home at Inverness Campus. The new campuses at Balloch and Beechwood opened to students on 17 August 2015 consistent with the programme. The flagship building project forms part of the SG's £3.5bn NPD/hub investment programme.

- 15 May 2015 – **Inverness Campus (£23.5m)** was officially opened. The new world class facility has the potential to support up to 1,300 jobs on site and create 940 new jobs across the Highlands and Islands over the next five years. The project was completed within budget. It will bring business, research and educational organisations together on the 215-acre site to support collaboration, knowledge transfer and build on the progress the area has already made in securing highly skilled jobs in recent years. The first phase of the project will see the opening of a new building for Inverness College UHI, the creation of an Enterprise and Research Centre, along with a dedicated Life Science building with an initial 1,000 sqm available for occupants later this year.

- 11 May 2015 – The **A82 Pulpit Rock (£9.2m)** road scheme on Loch Lomondside opened to traffic and finally removed traffic lights on this section of the A82 for the first time in over thirty years. The Scottish Government has pumped £57 million into the A82's upgrade and maintenance since 2007.

- April 2015 – The **North of Scotland Regional Child and Adolescent Mental Health service project (**£8m) opened in Dundee. The Young People's Unit provides a 12 bed inpatient unit, including family accommodation for parents and provides specialist care to young people from across the north of Scotland. All bedrooms have en-suite bathrooms and there is a private outdoor space, education facility and a gym. The new unit is a partnership between NHS Tayside, Grampian, Highland, Orkney and Shetland.

- January 2015 - NHS Greater Glasgow and Clyde officially took ownership of the fully Scottish Government funded **£842 million New South Glasgow Hospitals** (renamed Queen Elizabeth University Hospital and Royal Hospital for Children) project following official handover from contractor. Delivery of this world class hospital complex was achieved ahead of schedule and within budget. A phased migration of services to the new campus which is one of the largest hospital complexes in Europe commenced at the end of April 2015 and concluded on 14 June 2015.

- August 2014 - NHS Grampian & NHS Highland's joint project to construct three new Health Centres in **Forres, Woodside and Tain (£15.7m)** became fully operational (Woodside, Aberdeen in NHS Grampian Forres and Tain in NHS Highland).

- July 2014 - **A75 Hardgrove to Kinmount Improvement (£9m)** project which involved the construction of a new 3.6 kilometre stretch of the A75, in Dumfries and Galloway, was completed in July 2014.

- May 2014 - **A77 Symington and Bogend Toll Improvements project (£10.6m)** which includes two new flyover junctions, a new cycle route, new footways and a new link road was completed early and on budget.

- May 2014 - One of the largest trunk road bridge maintenance projects ever undertaken in Scotland, the £13.2m **upgrade of the Kessock Bridge** is drawing to completion ahead of schedule with the peak-time traffic restrictions coming to an end, five weeks early. The majority of work is now completed and the team will move to night-time working to finish remainder of contract.

- May 2014 - The first electric trains have taken to the tracks on the £80 million Cumbernauld-Glasgow line which marks the successful completion of the first part of the **Edinburgh-Glasgow Improvement Programme**. The Cumbernauld electrification has been delivered on time, on budget and well ahead of this summer's Commonwealth Games.

- March 2014 – **A75 Dunragit Bypass (£28.5m)** - The project was completed over 2 weeks ahead of programme. There were however Increases to the project costs of £3.5 million which were largely as a result of significant archaeological finds and the subsequent reporting.

- March 2014 – **Scottish Crime Campus (£75m)** became fully operational following construction completion in Autumn 2013. The project was completed on time and under budget.

- March 2014 – **HMP Grampian (£90m)** which completed construction in November 2013 became operational on 3 March 2014 when the first prisoners were admitted. The project was completed on time and on budget.

- February 2014 - **NHS Greater Glasgow and Clyde's new Possilpark Health Centre** (£10m) opened on 24 February 2014. The new state-of-the-art health centre was completed on time and on budget.

- January 2014 – The **Glasgow School of Art. Garnethill Phase 1 (£49.5m)** which completed construction in September 2013 became operational on 6 January 2014. The project was completed on time and on budget.

- December 2013 - Transport Minister officially opened the **£25m redevelopment of Haymarket Station** which forms part of the **Edinburgh Glasgow rail Improvement Programme**. The work which was completed on time and on budget has transformed facilities at one of Scotland's most iconic stations.

- December 2013 - NHS Grampian's **Aberdeen Community Health and Care Village (£15.6m)** opened to patients. The project which will provide 6,500 square

metres of health care facilities which will range from physiotherapy, dental through to minor surgery was completed on time and on budget.

- August 2013 – NHS Greater Glasgow and Clyde's **New Alexandria Medical Centre (£21m)** in the Vale of Leven Hospital grounds opened to patients. The project which was completed on time and on budget is one of the most modern health centres in Scotland and brings together a variety of services delivering modern health care within a new state-of-the-art facility.

- August 2013 – NHS Lothian's joint venture with the City of Edinburgh Council, the **Wester Hailes Healthy Living Centre (£12m)** opened to patients. The project which was completed almost three months early and on budget includes the Wester Hailes Medical Practice, a range of NHS Lothian community health services, including podiatry, midwifery, paediatrics, mental health, and learning disability care as well as a physiotherapy gym and five dental rooms.

- August 2013 – The two schools which spearheaded the SG's £1.25 billion 'Scotland's Schools for the Future Programme' (a pilot project involving **Eastwood High (£29m), East Renfrewshire and Lasswade Centre (£36.6m), Midlothian** opened to pupils in August 2013. The project which was completed on time saw the Scottish Futures Trust and the two councils working together to jointly procure both schools. The ground-breaking collaborative initiative saved at least £4m.

- February 2013 - Minister for Transport officially opened the **upgraded M9 Junction 1a (£25.6m)**, the second of three major contracts required to deliver the Forth Replacement Crossing scheme. The new junction will provide significantly improved connections for traffic using the road network in West Lothian and to the north west of Edinburgh, in turn helping relieve local communities of strategic traffic. The project was completed two months ahead of schedule and for £20 million less than the original budget.

- December 2012 - The three phased refurbishment of **Parliament House (£56.2m)** Court of Session were completed either ahead of programme or on schedule and each was completed well within the budget set out in the original Business Case.

- December 2012 - The new build clinical services accommodation for the **NHS Grampian Emergency Care Centre in Aberdeen (£110m)** was completed on time and on budget.

- December 2012 - A key element of Forth Replacement Crossing project went live on time and on budget. The first phase of the **Intelligent Transport System (ITS)** on M90 in Fife provides a dedicated bus lane and variable speed limits which will be used during periods of congestion. On completion of Principal Contract in 2016, the ITS will include an operating regime for both existing bridge and new crossing.

- November 2012 - Health Secretary opened a **new £90 million Laboratory in Glasgow** which is just one part of NHS Greater Glasgow and Clyde's £842 million New South Glasgow Hospitals project. The new laboratory which was delivered on time and within budget is one of the most modern facilities in the UK, enabling ground-breaking research and pioneering treatments to be developed.

- October 2012 - **HMP Shotts - Redevelopment Phase 2 -** project completed on time and on budget.

- July 2012 - **NHS Tayside - Mental Health Development NPD project (£95m)** became fully operational with the opening of the new Murray Royal Hospital in Perth. The other element of the project, the new hospital at Stracathro Hospital, Brechin in Angus opened in December 2011. The project was completed on time and on budget.

- June 2012 - **NHS Lothian Royal Victoria Hospital (£44m)** in Edinburgh completed on time and on budget

- March 2012 - The Scottish Prison Service officially opened as scheduled, the new state of the art 700 cell **HMP Low Moss (£125m).** The project also came in under budget by £3m due to savings in construction costs.

- February 2012 - **Paisley Corridor Improvements (PCI)** infrastructure works were completed on 26 February 2012 and an initial service enhancement was introduced on 27 February 2012 (Glasgow Central to Ardrossan) in advance of the introduction of the full service enhancements on 9 December 2012. The project was completed on time and on budget.

- January 2012 - **A96 Fochabers and Mosstodloch Road Scheme (£31.5m)** completed ahead of time and on budget.

- October 2011 - Handover took place on time and to programme of **NHS Fife's - General Hospitals & Maternity Services Project (£170m)** following completion of construction *(This is a PFI project).*

- September 2011 **M80 Stepps to Haggs** project completed on time and on budget *(This is a PFI project).*

- July 2011 **National Museum of Scotland (£47.4m)** reopened to public following a transformation which has created one of the world's great museums. The Scottish Government contributed £16m to this successful joint funded project which was completed on time and within budget.

- June 2011 - **M74 Completion scheme (£692m)** opened to traffic eight months ahead of schedule and under budget due to robust management of the project by Transport Scotland.

- December 2010 - **Airdrie-Bathgate Rail Link (£375m)** was opened to passengers. The project was on time and on budget.

Major Project Achievements Since 2007

Top Line

Since 2007 we have used all levers at our disposal to deliver an ambitious programme of infrastructure investment despite significant reductions in our capital budget.

Major Project Achievements

Major projects completed within schedule and budget since 2007 include:

Health

- **NHS Greater Glasgow and Clyde Queen Elizabeth University Hospital and Royal Hospital for Children** (£842m);
- **NHS Fife General Hospitals & Maternity Services** (£170m);
- **NHS Grampian Emergency Care Centre, Aberdeen** (£110m);
- **NHS Tayside Mental Health Development** (£95m);
- **State Hospital Redevelopment** (£92m);
- **NHS Ayrshire & Arran's Acute Mental Health & North Ayrshire Community Hospital** (£54.8m);
- **NHS Lanarkshire Primary Care Health Centres** (£50.6m); and
- **NHS Lothian - Redevelopment of Royal Edinburgh Hospital Campus - Phase 1** (£49m).

In construction

- **NHS Dumfries and Galloway Acute Services Redevelopment** (£274m);
- **NHS Lothian Royal Hospital for Sick Children / Department of Clinical Neurosciences** (£230m); and
- **East Lothian Community Hospital** (£70m).

Justice

Completed

- **HMP Low Moss** (£125m);
- **HMP Grampian** (£90m);
- **Scottish Crime Campus** (£75m); and
- **Parliament House** (£58m).

Rail

Completed

- **Airdrie-Bathgate Rail Link** (£375m);
- **Borders Rail** (£353m); and
- **Paisley Corridor Improvements** (£209m);

In construction

- **Edinburgh-Glasgow Improvement Programme EGIP** (£742m).
- **Aberdeen to Inverness Improvement Project (£330m-£332m)**
- **Shotts Electrification (£80m-£160m)**
- **Stirling Dunblane Alloa Rail Electrification (£92m-£159m)**

Roads

Completed

- **M80 Stepps to Haggs** (£320m); and
- **M74 Completion scheme** (£692m).

In construction

- **Forth Replacement Crossing** (£1.325bn-£1.35bn);
- **A90 Aberdeen Western Peripheral Route/Balmedie-Tipperty** (£745m); and
- **M8, M73, M74 Motorway Improvements** (£439m).

Ferries

In construction

- **CMAL - Two new 100 metre ferries** (£97m)

Further and Higher Education.

Completed

- **City of Glasgow College** (£228.6m);
- **Ayrshire College Kilmarnock Campus** (£53.6m).
- **Inverness College** (£52.2m); and
- **Glasgow School of Art Garnethill Phase 1** (£49.5m).

Schools

- **Since 2007 more than 520 schools rebuilt or refurbished** (25% of all school premises and 200 more than rebuilt or refurbished in previous 8 years). **Scotland's Schools for the Future Programme** (£1.8bn) will deliver 112 new or refurbished schools by end March 2020. (£1.13bn from SG and £665m from local authorities).

Housing

- **Since 2007 54,186 affordable homes have been completed (2007-08 to 2014-15)**. Our current target is to deliver 30,000 affordable homes over lifetime of this Parliament. From April 2011 to March 2015, a total of 26,972 affordable homes have been completed and we are well on track to deliver our target.

CONSTITUTIONAL MATTERS

Independence and Infrastructure Investment

- Scottish Government has recognised the vital importance of infrastructure investment for accelerating the economic recovery and we are using every possible policy lever to expand the capital programme.

- We know that collectively we are doing well – and that good progress is being made through the strong partnerships in place. We know that we could do better if Scotland had the full powers of an independent country.

- With independence, we would decide the pace and scale of the capital investment programme, in line with what's in the best interests of the Scottish economy.

- We would not be reliant on Westminster to determine our capital budget and borrowing powers.

- That means the potential for more investment, more construction activity and more jobs – through more partnerships with businesses such as those here today.

- Independence presents us with an opportunity to invest more, to invest differently – and ultimately to invest in a way that enables us to create a more successful, prosperous country.

- Crucially the returns on our investments would remain in Scotland instead of being returned to the Treasury. Additional tax revenue, savings in benefits – these currently accrue to the UK Government, rather than Scotland. And this applies to investment in education and childcare as much as to investment in infrastructure.

- With independence we retain the return on our investments, as well as the proceeds from our natural resources, and can reinvest them for the future. A virtuous circle in which we take responsibility for ourselves.

- Independence will allow us to make our own decisions and investment in infrastructure will remain a central part of the Scottish Government's approach to supporting long-term sustainable economic growth following a Yes vote.

Fiscal Framework– Covered in Heads of Agreement

Timing

- Draft Heads of Agreement will be published by the end of this week
- Full fiscal framework will be published subsequently.

Block Grant Adjustment – Tax

- Baseline adjustments will be based on tax receipts in the year immediately prior to the devolution of power (Year 0 approach).
- We have agreed to a transitional funding model over the period to March 2022. During that period the outcome in each year is guaranteed to achieve our preferred outcome – Per Capita Indexed Deduction.
- The transitional funding arrangements will be reviewed in 2020/21. An independent report with recommendations will be provided to both Governments by the end of 2021.
- The fiscal framework will not include or assume the method for adjusting the block grant after the transition period.
- The governments are required to jointly agree the method which must be consistent with the Smith Commission recommendations of no detriment, taxpayer fairness and economic responsibility.
- The deal reached will ensure that the funding for Scotland cannot be changed without agreement from the Scottish Government.

Block Grant Adjustment – Welfare and other areas

- For welfare, and all other spending unless stated otherwise in this agreement, the chosen method will be the Barnett formula. The comparability factor will be set at 100% for elements of welfare that are devolved under this agreement.
- The baseline adjustment for welfare will be Year 0 for all benefits with the exception of Cold Weather Payments which will be calculated as an average of the years 2008 to the year prior to devolution.

Capital Borrowing

- The following limits have been agreed:
  - The aggregate borrowing cap will increase to £3bn (from £2.2bn)
  - The annual limit will be increased to 15% of the overall borrowing cap (£450m)

Revenue Borrowing

- The annual limit for borrowing for forecast errors will increase to £300m (from £200m)
- The annual limit for borrowing for forecast and economic shocks will increase to £600m during the financial years of a Scotland-specific economic shock
- An overall debt limit of £1.75bn will apply (increase from £500m)
- A Scotland-specific economic shock is triggered when onshore Scottish GDP growth is below 1% in absolute terms on a rolling 4 quarter on 4 quarter basis, and 1% below UK GDP growth over the same period.
- Flexible repayment period of between 3 and 5 years, decided by Scottish Ministers (previously 4 years)

Scotland Reserve

- As part of the negotiations it was agreed that:
  - The Scotland Reserve will be capped in aggregate at £700m
  - Annual drawdowns from the cash reserve will be limited to £250m for resource and £100m for capital
  - Replaces the Budget Exchange Mechanism.

No Detriment

- Will deal with direct effects and material and demonstrable behavioural effects.
- Arrangements will be symmetric – both detriment and savings.
- Further detail will be in the final fiscal framework.

Administration Costs

- For all administration and implementation costs the following amounts were agreed:
  - £200m for one-off implementation costs.
  - £66m for the on-going baseline transfer.
- These figures are for welfare, tax and other areas of public spending.

VAT Assignment

- Ministers have agreed to a consumption based approach.
- The methodology for assigning VAT on this basis will be worked up in detail subsequently and agreed between officials with joint Ministerial sign-off at a future meeting of the Joint Exchequer Committee.
- VAT assignment will be implemented in 2019/20 provided both governments are satisfied with the methodology.

Crown Estate

- Baseline deduction of c£10m reflecting net Crown Estate revenues foregone by the UK Government
- Transfer the responsibility for the Coastal Community Fund alongside a baseline addition of c£5m
- No indexation of either baseline adjustment
- No transfers for non-geographical assets or joint ventures.

Employability

- Employability Settlement for SR period
  - 2017-18 – 7m
  - 2018-19 - £10m
  - 2019-20 - £11m
  - 2020-21 - £13m

- 75% cut from pre-SR period

Governance / dispute resolution

- The fiscal framework will set out a procedure for dispute resolution involving technical input from third parties.

Fiscal Scrutiny / Forecasting

- As part of the negotiations it was agreed that the Scottish Fiscal Commission will produce independent forecasts.
- The timing of commencement of this responsibility is still to be discussed and agreed with the Scottish Fiscal Commission.
- Both governments will legislate to ensure a duty of cooperation between the OBR and the SFC

Borrowing – Fiscal Framework

[From 2017-18 onwards]

- As part of the agreement of the Fiscal Framework that will underpin the implementation of the Smith Commission recommendations for further fiscal devolution, there will be an expansion of the Scottish Government's capital borrowing powers, from a previous ten-year limit of £2.2 billion over ten years to a new limit of £3 billion, and from a previous annual limit of 10% of our annual CDEL budget to 15% of the overall £3 billion borrowing limit.

- We look forward to considering the use of these expanded borrowing powers within our long term strategy for infrastructure investment

- The Scottish Government continues to believe there is a case for the devolution of even greater borrowing powers, to give maximum flexibility to align our investment programme with economic cycles.

  [Updated 24 February 2016]

Borrowing – Scotland Act 2012

Capital Borrowing

Under the Scotland Act 2016 the following limits have been agreed:

- The aggregate borrowing cap will increase to £3bn (from £2.2bn)
- The annual limit will be increased to 15% of the overall borrowing cap (£450m)

(This increases capital borrowing available under Scotland Act 2012 which was set at an aggregate cap of £2.2 billion with borrowing limited in any one year to 10% of our capital budget.)

Will you borrow to support specific capital projects?

We intend to borrow to support our overall capital programme rather than individual projects.

The borrowing powers enable us to increase the total level of investment we can undertake, in the context of the overall spending plans set out in the Budget and the strategic direction set by, for example, the Infrastructure Investment Plan. The powers are not limited to individual project finance.

The Scottish Government is able to borrow from the National Loans Fund, from banks on commercial terms or through issuing bonds.

We are evaluating these options for borrowing and will in due course take a responsible decision on which method or methods to use based on the prevailing economic conditions.

The Budget assumes that £322 million of borrowing will be utilised in 2016-17, the maximum permitted under Scotland Act 2012 (10% of CDEL).

The Budget also assumes borrowing of £450 million in 2017-18, reflecting the enhanced level of borrowing available under the Scotland Act 2016. For planning purposes, borrowing is assumed to be drawn from the National Loans Fund with an assumed repayment period of 10 years at an interest rate of 2% with repayments of principal and interest payable from the following year.

Although we have modelled borrowing from the NLF, the UK Government has put in place legislation that grants the SG powers to issue bonds. This means we can consider a range of options to maximise borrowing flexibility. We will always keep this under review.

When will you decide which route to take and when will you inform Parliament about your final borrowing plans?

We would expect to take decisions about future borrowing routes each year in the course of 2016-17 and 2017-18 respectively, on the basis that we would plan only to draw down borrowing late in the financial year, as there is a cost compared to direct capital investment.

Revenue Borrowing

- The annual limit for borrowing for forecast errors will increase to £300m (from £200m under Scotland Act 2012).

- The annual limit for borrowing for forecast and economic shocks will increase to £600m during the financial years of a Scotland-specific economic shock.

- An overall debt limit of £1.75bn will apply (increase from £500m under Scotland Act 2012).

- A Scotland-specific economic shock is triggered when onshore Scottish GDP growth is below 1% in absolute terms on a rolling 4 quarter on 4 quarter basis, and 1% below UK GDP growth over the same period.

- Flexible repayment period of between 3 and 5 years, decided by Scottish Ministers (previously 4 years under Scotland Act 2012).

HOT ISSUES !!!!!

Programme for Government 2016-17 (Capital Stimulus)

In August 2016 the First Minister announced that capital spending on projects to support and create employment was being accelerated, starting with an additional £100 million of funding in this financial year (2016-17). The capital funding is being used to speed up delivery of health and other infrastructure projects.

As well as the initial £5 million for the Golden Jubilee Hospital to bring expansion of its elective centre forward from 2018-19 to this year, the following projects have been selected because of the early benefits they offer to the Scottish economy:

- £10 million for domestic energy efficiency measures – helping make our homes cheaper to heat and reducing the costs of energy bills for householders
- £10 million to make our public sector buildings more energy efficient – creating and safeguarding jobs as well as ensuring long-term savings to the public purse
- £1.3 million to support Higher Education research, securing match-funding from the UK Government
- £3.13 million on rail projects (including wi-fi and air conditioning improvements, passenger counting equipment, ticket vending machines and ticket office at Blairhill)
- £0.5 million on supporting business access to the Digital Internet Exchange
- £10 million to support the delivery of capital projects for local economic development
- £0.57 million for Clyde Gateway by supporting the Dalmarnock Industrial Park power upgrade
- £23 million to support the maintenance of the Higher Education estate across Scotland (that we expect to be match-funded by the sector)
- £15 million towards trunk road maintenance
- £10 million to support the maintenance of the Further Education estate across Scotland
- £3.5 million for refurbishment of Inverclyde Hospital and Glasgow Royal Infirmary
- £2 million for Scottish Fire and Rescue Service estate maintenance
- £2 million to improve the Police Scotland estate maintenance

- £2 million for Scottish Courts and Tribunals Service estate maintenance

- £2 million for Historic Environment Scotland investment in properties in care

This spending will deliver a vital boost to the economy, helping retain skills and activity in key sectors as well as creating a legacy of assets that have long-lasting economic, social and environmental benefits.

SG News Release – 6 September 2016

The First Minister today announced the sixteen projects that will benefit from the Scottish Government's stimulus package to support the economy following the EU referendum result.

The projects will support and create employment and are being brought forward as part of a £100 million capital investment package.

They include a £20 million investment in energy saving measures for homes and public sector buildings, £33 million to upgrade and maintain the further and higher education estate and £10 million will go towards local economic development projects across the country.

Each project has been assessed against a range of criteria including how quickly work can start, the number of jobs that will be supported or created, the likely impact on the supply chain and geographic spread.

[UPDATE: All £100 million was spent in 2016-17]

Edinburgh Schools Closures

The City of Edinburgh Council (CEC) announced on 8 April 2015 that it was taking the precautionary decision to close all 17 of its PPP1 school premises from 11 April 2016 when remedial works at Oxgangs Primary uncovered ineffective or absent wall ties and/or wall header restraints.

The Edinburgh Schools Partnership (ESP), which built, manages and operates the schools on behalf of CEC were unable to provide CEC sufficient guarantee that the schools are safe to open.

The schools that were initially closed from 11 April were as follows: Braidburn ASN, Broomhouse PS, Castleview PS, Craigour Park PS, Craigmount HS, Craigroyston PS, Drummond Community HS, Firrhill HS, Forthview PS, Gracemount HS, Oxgangs PS, Pirniehill PS, Rowanfield ASN, Royal HS, St David's PS, St Joseph's PS, St Peters RC PS.

Temporary contingency arrangements to accommodate all 8,000 pupils from 17 affected schools were put in place by 13 April and pupils decanted to neighbouring schools.

SG wrote to all Education Directors informing them of the issues affecting Edinburgh PPP1 schools on 9 April and requested all councils assure themselves of their school estate and to undertake surveys and inspections where necessary.

ESP has been coordinating structural survey work to assess remedial action required on the 17 schools and prepared a timeline for completion. CEC issued a statement on 29 April setting out the schedule for the re-opening of the schools.

- Oxgangs PS, St Peter's PS & Braidburn ASN – all work completed & schools re-opened on 24 May.

- Firhill HS, Royal HS, Drummond HS, Broomhouse PS and St Joseph's PS will all re-open before the end of this current term; and

- Work on the remaining 9 schools would complete over the school holidays with the schools re-opening on the first day of the new 2016/17 school year in August.

On 26 May, CEC confirmed to SG that it will be announcing its draft Terms of Reference for the <u>inquiry</u> into the issue on Thursday 2 June, which will be subject to sign off by its independent chair (a former senior civil servant from NI Executive who is a trained architect).

The inquiry will begin in August 2016 once schools are back and conclude by Christmas. A comparator to a non PPP/PFI build will be included as a reference point in the inquiry.
The City of Edinburgh Council has confirmed that respected construction and procurement industry expert John Cole CBE will <u>lead</u> the independent inquiry into Edinburgh's school closures. With a 30 year career in public service, John, an

architect by profession, has specialised in seeking to improve the quality of design, procurement and construction of new buildings in the public sector. In so doing he has been responsible for the development, dissemination and implementation of a series of innovative and highly successful procurement models.

SQA Exams 2016

The SQA exam Diet began on 4 May. CEC has confirmed that all candidates will sit their exams in the schools they are currently attending.

Wider PPP issues

At the request of Ministers, the Scottish Futures Trust wrote to all substantial public bodies on 19 April with details of the Edinburgh school problems and asking them to advise: of any assurance work which has been undertaken or planned; whether any similar structural issues have been identified; and whether any further investigation or action is to be undertaken.

SFT will provide a full report for Ministers shortly, the following summarises its findings so far.

- Defects in masonry panels, requiring remedial strengthening when cracking is observed or following a partial collapse have been reported in schools in 6 authorities.

- Following recent inspections, no issues identified (so far) in buildings other than schools – which have been the focus of attention and intrusive survey work;

- The highest risk areas appear to be larger brick/block external walls and larger block work internal walls around large spaces such as atria and gym/dining halls.

- SFT intends to write to public bodies setting out its initial findings and requesting that public bodies continue to provide information on any further inspections or work undertaken as this becomes available in order to pool the information.

Q&A

What is the Scottish Government position on the calls for review of PPP/PFI contracts following the Edinburgh schools closure?

The Scottish Government is currently considering what next steps would be most helpful in terms of any potential wider issues arising from the recent Edinburgh school closures, taking into account the City of Edinburgh Council's plans to undertake a review over the coming months.

Over the course of the last Parliament, the Scottish Futures Trust has been working on behalf of Scottish Ministers to examine with public bodies the scope to improve performance and efficiency within a number of operational PPP contracts, and this work will continue.

THIRD PARTY QUOTES

(within last three years)

- **The Scottish Futures Trust won the Gold Award at the May 2017 Partnerships Awards** for 'Best Government PPP Promoter' (SFT have previously won Gold twice and Silver once).

Since becoming fully operational in 2009, SFT has secured benefits and savings valued at over £920m which have been independently validated by the London School of Economics and accountancy firm Grant Thornton. SFT secures best value in many ways. For example, by obtaining low-cost finance for off balance sheet deals to allow construction start on a major road or hospital; expanding the use of a new school and its facilities for the benefit of the community; deploying innovative tools to allow public bodies assess the investment required to install energy efficient LED street lighting; or by pioneering a new approach to the design of buildings allowing them to be shared across public sector agencies.

Following the changes in accounting guidance that resulted in Hub and non-profit distributing (NPD) projects remaining on the Scottish government's balance sheet, SFT has worked to develop a new approach that has enabled a programme of Hub projects to reach financial close while remaining off balance sheet.

The judges felt the SFT's entry demonstrated a number of impressive achievements, which have been made in a relatively short period of time. These have shown the commitment of the SFT to making the partnership model work and providing best value for the public sector. They also noted the organisation's excellent track record of procurement and use of public sector funding to contribute to infrastructure schemes.

https://gallery.mailchimp.com/ace8543e155df8715187ce43f/files/cd49b6ed-30b9-411b-b588-64a791b4bbcf/BOTN_ATN.01.pdf

- **BBC Website report on the Scottish Government announcement by the First Minister Nicola Sturgeon, relating to measures to support and stimulate the economy in the wake of the EU referendum**. Capital spending on projects to support and create employment will be accelerated starting with an additional £100 million of funding in this financial year (2016-17). The capital funding will be used to speed up delivery of health and other infrastructure projects – 10 August 2016.

Liz Cameron, chief executive of Scottish Chambers of Commerce, said the investment was *"a timely boost"* and *"a great example of the Scottish government using devolved powers to deliver a timely boost to the Scottish economy".*

Andy Willox from the Federation of Small Businesses welcomed the plans to engage with businesses in particular, and said it was important to *"squeeze every drop of value"* from the new spending.

Grahame Smith, general secretary of the Scottish Trade Unions Congress, said the group *"strongly endorses"* Ms Sturgeon's approach.

http://www.bbc.co.uk/news/uk-scotland-scotland-politics-37026597

- **In 2014, Scotland was the top ranked UK region for foreign direct investment outside London** - Ernst & Young's 2015 UK Attractiveness Survey - 27 May 2015

Scotland cemented its position as the UK's biggest foreign direct investment region outside London in 2014. In an uncertain world, Scotland continues to punch above its weight in securing global foreign direct investment.

http://www.ey.com/UK/en/Newsroom/News-releases/15-05-27---Scotland-secures-3rd-best-year-on-record-for-Foreign-Direct-Investment-with-best-ever-performance-from-US

- **The Scottish Futures Trust won the Gold Award at the May 2015 Partnerships Bulletin Awards** for 'Best Government PPP Promoter' (SFT have previously won Silver and Gold Award).

With an array of projects in procurement, plus a number of deals that reached financial close in 2014, the Scottish market has become one of the most important in Europe. The Scottish Futures Trust has delivered that pipeline efficiently and effectively, attracting investors from across the globe to its pipeline. Last year, that pipeline was added to by the Scottish government, with the SFT identifying a range of other projects to benefit from its non-profit distributing (NPD) model.

The agency has also been promoting its PPP model, which has recently been taken up by the Welsh government to deliver its programme of projects. Alongside NPD, the SFT has also been instrumental in developing a series of other approaches to infrastructure development, including the Hub model and its Growth Accelerator Model, which is similar to tax increment financing.

The judges welcomed both the agency's scale of activity and delivery, combined with its refreshing and ambitious approach to the market. They also recognised the model's success and its potential value as other parts of the world look to use elements from it.

https://gallery.mailchimp.com/ace8543e155df8715187ce43f/files/BOTN_email_version.pdf

- **The Scottish Futures Trust won the 'Grantor of the Year' award in February 2015 at Infrastructure Journal Global Awards held in London** (SFT was the only UK organisation to be shortlisted in the 'Grantor of the Year' category, and fought off stiff competition from organisations across Europe and Africa.

The awards were described as a celebration of *'best in class'* deals in energy and infrastructure over the past year, uniting over 600 of the industry's finest at one of the most prestigious nights of the year in the infrastructure calendar.

- **Paul Brewer, Head of Government and Public Sector at PwC in Scotland reaction to 2015-16 Draft budget** – BBC Online 9 October 2014

"We welcome the continued focus on infrastructure investment to underpin Scotland's future economic growth. It is to be hoped that, as the debate over further devolved powers reaches its conclusions, we'll see further targeted investment focused on making Scotland an attractive business location with the transport, digital and housing infrastructure that encourages the private sector to invest."

- **The Scottish Futures Trust won the Silver Award at the June 2014 Partnerships Bulletin Awards** for 'Best Central/Regional Government PPP Promoter' (SFT have previously won the Gold Award).

Scotland's continued promotion of the non-profit distributing model as an alternative to the UK's PFI programme was judged to be worthy of praise. The SFT's ability to deliver on a relatively long pipeline of schemes has been proven over the past year, as deals have started to reach financial close and construction is now underway in a number of areas. Judges welcomed this as a demonstration of strong pipeline delivery in a financial climate that remains difficult for PPP projects.

- **Drysdale Graham (Partner, Pinsent Masons <u>and</u> Chair of PPP Forum in Scotland)** - commenting in Out-Law.com (online legal news and guidance from Pinsent Masons, international law firm) on 2 April 2014 regarding Finance Secretary's announcement on the additional £1 billion worth of infrastructure investment by way of current NPD programme.

The announcement was *"very good news"* for the Scottish construction industry and *"this new pipeline of projects is timely".*

Q&A

Infrastructure Investment Plan

Why publish a long term Infrastructure Investment Plan?

Infrastructure investment is central to the Scottish Government's economic strategy and our vision for a prosperous, fair and well-connected Scotland. This plan builds on the achievements delivered through our previous infrastructure plans and sets out a refreshed programme of long-term investment.

The Plan sets out why we need to invest, how we will invest and what strategic, large scale investments we intend to take forward within each sector over the next 20 years.

Recently, Scottish growth has been particularly driven by the construction sector, reinforced to a large extent by public infrastructure investment. Our investment strategy will need to evolve to reflect that.

How will the infrastructure investment plans of the Scottish Government help to stimulate the economy and support jobs?

Infrastructure investment is central to Scottish Government economic strategy and our vision for a prosperous, fair and well-connected Scotland.

The construction sector in Scotland makes a key contribution to overall Scottish economic growth, reinforced to a large extent by public sector infrastructure investment. Our investment strategy is set out in our Infrastructure Investment Plan, with sustainable economic growth through increasing competitiveness and supporting employment opportunities for all included in our guiding principles for investment.

Each additional £100 million of public sector capital spending in 2017-18 supports approximately 800 full time equivalent Scottish jobs, around half of which are in construction.

The annual progress report on our Infrastructure Investment Plan which was published yesterday, highlighted that projects worth almost £6.4 billion will be under construction throughout Scotland in 2017.

Does the Scottish Government consider that "Brexit" will have a negative impact on the Infrastructure Investment Plan?

Our overall approach rests on the view that, while the UK is a net contributor to the EU budget, the Scottish Government believes that the benefits of membership far exceed the costs.

Membership gives us access to a broad range of competitive funding schemes which promote collaboration and the sharing of knowledge and expertise between member states and sub states.

Moreover, there is no guarantee that, when the UK leaves the EU, that it would make direct funding available at the level the EU does, for example to retain farming in fragile areas or promote social cohesion by tackling youth unemployment

Infrastructure Investment and Prioritisation

How does the Scottish Government prioritise infrastructure investment?

The Scottish Government published a refreshed long-term Infrastructure Investment Plan in December 2015 setting out priorities for investment and long term strategy for development of public infrastructure.

Investment decisions are guided by the vision set out in the Programme for Government. We will seek to prioritise infrastructure investment based on our guiding principles of:

- delivering sustainable economic growth through increasing competitiveness and tackling inequality;
- managing the transition to a more resource efficient, lower carbon economy;
- supporting delivery of efficient and high quality public services; and
- supporting employment and opportunity across Scotland.

This plan aims to meet these challenges across a diverse range of programmes and by delivering key commitments.

How much has the Scottish Government invested in infrastructure in each year since 2007, also given as a percentage of GDP.

Information on investment since 2007 in infrastructure is included within the annually published draft budget.

To ask the Scottish Government what projects it has identified for support from the £20 billion infrastructure programme that it referred to in its 2016-17 Programme for Government.

The Infrastructure Investment Plan 2015, published last December, sets out the Scottish Government's infrastructure priorities over the next 20 years. An update on the Scottish Government's plans for infrastructure will be provided in the Budget.

UK 2016 Autumn Statement (£800m SG Consequentials)

How will the £800 million consequentials allocated in the UK Government's 2016 Autumn Statement be allocated by the Scottish Government?

The additional funding announced in the Autumn Statement is over the period 2016-17 to 2020-21 and will be used to deliver our ambitious infrastructure investment programme as set out in the Programme for Government including significant investment in affordable housing, digital, energy efficiency and transport and health projects.

What is the annual profile of the £800 million consequentials allocated in the UK Government's 2016 Autumn Statement?

The CDEL consequentials announced in the UK Autumn Statement totalled £821.2 million and are split by year as follows; £1.9m in 2016-17, £125.1m in 2017-18, £197.3m in 2018-19, £239.5m in 2019-20 and £257.4m in 2020-21.

<u>Borrowing Powers / Independence</u>

What borrowing power does Scottish Government have?

As part of the agreement of the Fiscal Framework that will underpin the implementation of the Smith Commission recommendations for further fiscal devolution, there will be an expansion of the Scottish Government's capital borrowing powers, from a previous ten-year limit of £2.2 billion over ten years to a new limit of £3 billion, and from a previous annual limit of 10% of our annual CDEL budget to 15% of the overall £3 billion borrowing limit.

We look forward to considering the use of these expanded borrowing powers within our long term strategy for infrastructure investment

The Scottish Government continues to believe there is a case for the devolution of even greater borrowing powers, to give maximum flexibility to align our investment programme with economic cycles.

What difference would independence make to the Scottish Government's investment in infrastructure?

Our Infrastructure Investment Plan sets out our priorities for investment and long term strategy for the development of public infrastructure.

Everything within the Plan is possible under the current constitutional arrangements. However, with full powers of independence and prudent use of borrowing powers, we could bring forward investment more quickly – making a very substantial difference to our economy both now and in the future.

We need more partnerships to continue to ensure that our infrastructure programme goes from strength to strength and we think that independence presents us with an

opportunity to invest more, to invest differently – and ultimately to invest in a way that enables us to create a more successful, prosperous country.

What difference would full borrowing powers make?

With greater authority over borrowing the Scottish Government would have greater flexibility to manage capital investment and to determine priorities according to the needs of the Scottish economy and public services. Full borrowing powers would allow us:

- to fund large discrete projects or programmes which because of their scale require a temporary increase in the level of investment;
- to deliver short-term economic stimulus; and
- smooth the medium term profile of investment in key public services.

What difference would the full powers of independence make to our economy in the short and longer term?

The full powers of independence would provide us with greater flexibility to manage capital investment and to determine priorities according to the needs of the Scottish economy.

With prudent use of borrowing powers we could bring forward investment and make a substantial difference to our economy, both now and in the future.

Independence presents us with an opportunity to invest more, to invest differently and ultimately to invest in a way that enables us to create a more successful, prosperous Scotland.

NPD/hub Programme / NPD Model

For projects within the NPD pipeline, will the unitary charge payments in include costs other than financing?

For all NPD projects, the unitary charge payment covers the construction cost of the asset and 'hard' facilities maintenance or lifecycle maintenance, such as maintaining the roof of a building. After 30 years for transport, and 25 years for health and education, the asset should have been maintained so it is still in the same condition as when construction complete. Soft facilities maintenance, such as cleaning and internal painting, is not included in the unitary charge payment. For colleges and schools, the maintenance share of the costs is shared between SG and the procuring authority. For transport, SG pays all.

Who carries the risk on changes in financing costs in NPD over the term of the contract?

Following financial close, the majority of the annual unitary payment charge is fixed. The private partners therefore carry the risk on changes in financing costs in NPD over the term of the contract. The majority of the unitary charge payments relating to the construction costs and the financing of that construction are not indexed (i.e. automatically increased with inflation each year). For colleges, for example, just under 80% of the unitary charge is for build and finance, which is not indexed, with just over 20% for lifecycle maintenance which is indexed to rise with inflation. So SG bears inflation risk on maintenance element only.

How has the Scottish Government demonstrated value for money (VFM) for those projects within the NPD pipeline?

Declining capital budgets meant that Ministers decided in 2010 to take forward a revenue-financed programme of investment to maximise infrastructure investment and support economic growth. Capital borrowing powers were not available.

Ministers have set out that the SG supports the NPD model to deliver revenue financed investment because it should not involve the excessive profits to the private sector associated with past PFI projects.

NPD projects are also subject to reviews at key project milestones which include value for money considerations.

Why are you using the revenue funded NPD model to fund public sector infrastructure rather than traditional capital procurement?

Our preferred approach for funding public sector infrastructure is through traditional capital procurement. However, given the speed and scale of the cuts imposed by Westminster, the capital budget available to the Scottish Government has been reduced significantly and that severely limits what we can fund through capital.

With our NPD programme we are taking decisive action to mitigate the impact of the UK government's severe cuts to our capital budget and to maximise infrastructure investment and support economic growth.

Is NPD not just a somewhat modified form of PFI?

The NPD model unlike PFI ensures that private sector returns are capped, that there is no dividend bearing equity and that stakeholder involvement in the management of projects is enhanced. The removal of uncapped equity gains is crucial, both in the principle for investment into public services and in the creation of a better balance between risk and reward to the private sector.

How is NPD different from PFI?

The NPD model does retain some features of traditional PFI structures. NPD however is different from PFI as it has seen improved procurement, better design through the use of reference designs worked up by the public sector, it restricts the private sector to a capped return, and with limited services included in the contract is much more flexible for building users than in the in the past. It also provides greater transparency by having a public interest director serving on the board of the company providing the building.

The NPD programme has involved a strengthened procurement process, supported by the skills and experience of the Scottish Futures Trust, working with public sector and other partners. For NPD projects, the quality threshold is set high through the use of detailed specifications and reference design information set out in each Authority's requirements. This means that, in contrast to early PFI deals where a high-level output specification was generally used, greater detail has been developed and set out by the procuring authority in their tender requirements for bidders. The combination of using reference designs and a period of competitive dialogue with shortlisted bidders has enabled procuring authorities to tie down much more of the specification prior to contract signature than would have been the case on early PFI deals. In other words, significant steps have been taken to ensure quality issues are taken into full account.

NPD contracts use the 60% cost, 40% quality ratio which relates to design quality and not to safety or building standards. All projects must comply with relevant safety and building standards regulations by law. The reference to design quality here is around issues such as whether the design is innovative, how sustainable it is and the robust facilities management rather than safety considerations.

Will the increased use of NPD not place undue pressure on an already reducing revenue budget?

We have set out our commitment to ensure that we use revenue funded methods of investment at a sustainable level, and do not overly constrain our choices in future years. We will manage our future revenue commitments to a maximum of 5 per cent of our expected future annual total DEL budget. (These commitments include the Scottish Government's share of the costs of: previous PPP/PFI contracts that are now operational, the current NPD programme, rail (RAB) investment and the projected costs of Scottish Government borrowing).

NPD projects take too long to procure?

The NPD procurement time is rapidly improving and is now half the historic average for projects of this type. In preparation for the market the Scottish Futures Trust who are delivering the NPD pipeline in partnership with the Scottish Government and other public bodies, challenges procuring bodies to set efficient and effective procurement strategies.

Inverness College for example which reached financial close in May 2013, took only 17 months to reach financial close from being advertised to the market. For a project of this size and complexity, this is unprecedented.

What is the level of the Scottish Government's investment in Scotland's Schools for the Future Programme?

Following the 2015-16 Draft Budget announcement on 9 October 2014, the Scottish Government is now investing £1.13 billion towards the total overall package of £1.8 million with the balance coming from local authorities.

What are the key benefits of the NPD programme?

The key benefits are:

- No excessive profits to the private sector like past PFI projects;
- Returns are capped to ensure a normal level of investment return is made by the private sector and that returns are transparent;
- Operational surpluses generated by the Project Company are reinvested in the public sector;
- Public interest is represented in the governance of projects which increases transparency and accountability and facilitates a more pro-active and stable partnership between public and private sector parties;
- Projects are attracting strong competition and achieving favourable financing rates.
- The model seeks to transfer risk and exert private sector discipline during the construction phase of a project and throughout its lifetime, but without the excessive private sector profits associated with past PFI projects.

How much would have been saved if the PFI projects carried out during the previous administration had been funded through the NPD model.

The rates applicable to any project reflect the market conditions when the actual contract is signed so it is not possible to assess exactly what savings might have been made.

The NPD model however ensures that private sector returns are capped and that there is no dividend bearing equity which avoids the excessive returns and poor taxpayer value for money associated with past PFI projects. NPD also enhances stakeholder involvement and ensures any surpluses can be directed in favour of the public sector.

Lessons have been learnt from past PFI projects and projects within our current NPD programme are attracting strong competition and achieving favourable financing rates.

When was the NPD model developed and introduced as an alternative to PFI and what was the first NPD project.

The current NPD model, with a simplified and standardised contract and recycling of returns to the public sector, was developed by the Scottish Futures Trust. The first

NPD project in the current pipeline of investments to reach financial close was Inverness College on 29 April 2013.

The current model built on and enhanced an earlier NPD-type funded model, initially developed with support from the Scottish Government and the former Partnerships UK organisation. This earlier model was piloted by Argyll and Bute Council with a project for the construction of ten schools which reached financial close on 9 September 2005.

Why have you extended the current NPD programme by £1 billion to £3.5 billion?

Whenever there has been an opportunity to invest further in our economy, this Government has taken it. The current revenue-funded NPD programme is now delivering strongly. Projects worth £650 million started construction in 2013-14 with even more commencing construction this financial year.

We are keen to maintain that positive momentum and to extend the programme further as we know that every additional £100 million of construction activity is estimated to support more than 1,000 jobs.

The extended programme will provide the construction sector with the long-term certainty of a future pipeline of work and in addition, the people of Scotland get the long-term benefits of using the assets.

Will the increased use of NPD not place undue pressure on an already reducing revenue budget?

As a competent government we will invest within a sustainable framework.

The extended programme is affordable and within the headroom of the 5% limit that we chose to put in place to ensure that we can deliver now for the economy without over constraining future budget choices.

What is the allocation position of the £3.5 billion NPD/hub programme?

The budget available for revenue funding of hub schools and health centres through hub has been fully allocated to projects leading to over £500 million of revenue funded projects currently in development or pre-development. Scottish Government allocations for further capital or revenue funded projects will be considered as part of this year's budget process. *(Cleared for PPP Forum Meeting in November 2016).*

How does the Scottish Government monitor the use of subordinated debt in procurement projects by the hubCos and the Scottish Futures Trust?

Subordinated debt is invested in hub projects through Scottish Futures Trust Investments Limited, a subsidiary of the Scottish Futures Trust, established for that purpose. Investment decisions are made and investments monitored, by the

Investment Committee of the Board. Scottish Futures Trust Investments Limited accounts showing investments made are published annually.

The recent unblocking of the ESA10 issues surrounding the structure of the hub programme has provided a much needed boost to industry deal flow. Can similar progress can be anticipated in respect of the currently stalled NPD programme of projects.

The Deputy First Minster announced to Parliament on 26 November 2015 that a rapid reversal of the Office for National Statistics public classification of the AWPR project under the revised Eurostat rules will not be possible.

SFT will however continue to review options for the delivery of future revenue-funded NPD projects and discussions are continuing on the impact of ONS classification. The Scottish Government remains committed to delivering these projects.

Does the Scottish Government intend to replicate the hybrid procurement structure developed for the Orkney Hospital NPD project or is this a one-off arrangement driven by the health board's requirements?

The Orkney Hospital project was part way through its NPD procurement when the new Eurostat guidance was emerging and our interpretation of the classification implications were developing.

The specific funding structure was developed as a specific response to preserve the progress of this significant project for healthcare in Orkney and deliver a bespoke value for money solution and so there are no plans to replicate this structure. *(Cleared for PPP Forum Meeting November 2016).*

What will be the total amount of Hm Treasury capital borrowing which the Scottish government will need to set aside to cover the full on-balance sheet capital costs of the NPD projects affected by the ONS reclassification?

As noted in Audit Scotland's report, £283 million was set against the Scottish Government's borrowing cap in 2015-16 and in 2014-15 £109 million was against an agreed contingency with HM Treasury. We have not yet taken a decision on borrowing for 2016-17 or beyond.
(Cleared for Severin Carrell (The Guardian) on 9 December 2016)

The table of active NPD/hub projects show that the capital value of the AWPR, the new Royal Hospital for Sick Children in Edinburgh, the new Acute Services hospital in Dumfries and the new HQ for the blood transfusion service have a combined total of £865 million. I understand that all of that will have to be covered from the annual HM Treasury capital borrowing allowances over the next two to three years. Is that the case?

The capital construction costs will be reflected within the Scottish Government's overall capital budget provision, which includes capital borrowing, as has been the case in 2015-16 and 2016-17.
(Cleared for Severin Carrell (The Guardian) on 9 December 2016)

What exactly is the status of the NHS Orkney new Balfour hospital NPD project with the ONS reclassification? Are the capital costs of that now also on-balance sheet as the other four NPD projects above? And if so, what are the capital costs from that project which will have to be covered through the annual HM Treasury capital borrowing allowance?

This project has not yet reached financial close. It is estimated to have a capital value of £67 million but the structure of the agreement will be different in light of the ONS decision on AWPR to maximise value for money. ONS provide formal classification opinions on projects only once they have been signed. Capital budget provision was included in the 2016-17 Budget, reflecting the fact that it is expected that the project's structure will attract a public sector classification.
(Cleared for Severin Carrell (The Guardian) on 9 December 2016)

Since the private finance costs of those four or five projects are higher than the interest rates for state borrowing, particularly those which would apply to capital borrowing under the Scotland Act 2015, does the Scottish government regret that it and the SFT were wrong not to understand the implications of ESA10 on the NPD/hub programme before those contracts were signed?

The new guidance was issued by the EU in August 2014, 18 months after the contract for the AWPR was published in the OJEU in January 2013 and after the winning bidder was announced on 11 June 2014. It is therefore unreasonable to have expected this change in interpretation of the guidance to be predicted. Major infrastructure projects involve lengthy procurement processes and the Scottish Government has emphasised the challenges that regular changes to relevant EU guidance brings to the management of live procurements and the potentially significant costs that entering into fresh procurements could have been expected to generate.
(Cleared for Severin Carrell (The Guardian) on 9 December 2016)

What is the Scottish government response to the criticism from trade unions, opposition parties and debt campaigners that it is a mistake to rely so heavily on private financed public procurement and private management and facilities management contracts, because of the far higher interest rates and ongoing unitary charge and maintenance costs which apply?

The NPD and hub models are an improvement on previous PFI deals. They enable investment in public projects in Scotland to be brought forward more quickly than would otherwise be available through our capital allocation and limited borrowing powers and balance future operational and maintenance risks between the public and private sector. Projects with an estimated value of around £2.4 billion have been progressed

to date through the NPD/hub programme, creating and maintaining jobs and enhancing Scotland's asset base.
(Cleared for Severin Carrell (The Guardian) on 9 December 2016)

What is the Scottish Government's reaction to the fact that Audit Scotland and the Accounts Commission will investigate their NPD investment programme.

The NPD and hub models have enabled us to bringing forward projects with an estimated value of around £2.4 billion, creating and maintaining jobs and enhancing Scotland's schools, roads and public services.

Audit Scotland has already reviewed and reported on the NPD issue as part of their routine reporting on the 2015-16 annual accounts and gave it a clean bill of health.

The Scottish Government has emphasised the challenges created by regular changes to relevant EU guidance on government spending, which in this case were announced after the winning bidders for these contracts were announced. "

What profits will be made by companies involved in NPD projects such as the Aberdeen Western Peripheral Route/Balmedie Tipperty and the Royal Hospital for Sick Children/Department of Clinical Neurosciences etc including long-term interest and fees?

There are no profits distributed to the private sector investors in the project companies that have been set up and which hold the contracts with the procuring authorities.

Organisations providing finance for the projects will receive a rate of return on their investment.

Information on interest and fees is included in the financial models which underpin the contracts This information, which was subject to competition during the procurement process, is subject to confidentiality provisions in the contracts for a time limited period of typically two years.

Information on the profit levels of sub-contracting companies, such as the construction contractor, is not held.

Who was responsible for the error in interpreting EU rules relating to the accounting procedures for the NPD model of financing public projects?

The Scottish Government has always been very clear about the impact of classification on the NPD programme, which arose as a result of changes that were made in September 2014 to relevant Eurostat guidance, 18 months after the contract for the Aberdeen Western Peripheral Route (AWPR) project was published in the OJEU in January 2013 and after the winning bidder was announced on 11 June 2014.

The Scottish Futures Trust became aware in November 2014 that the Office of National Statistics (ONS) had considered the revised guidance and had identified potential issues in relation to the classification of privately financed projects within the UK. The ONS classified the AWPR to the public sector in July 2015.

As set out in successive Scottish budgets, provision has been made in capital budgets to reflect the classification of the AWPR and three other NPD projects that had been in advanced procurement at the time of the changes to the Eurostat guidance.

The Scottish Government's approach has ensured that classification has had no impact on the delivery timetable or cost of these projects.

Schools (and NPD)

The Scottish Government's decision to continue with the Non Profit Distributing funding approach by way of the Scottish Futures Trust, has put a strain on council budgets in terms of school repairs, rebuilds etc.

Whilst the Scottish Government is always open for discussion with local authorities on issues of funding we are already putting significant investment into the £1.25 billion Scotland's Schools for the Future programme which is undertaken by working in partnership with local authorities to tackle the worst condition schools, which is funded through a mixture of capital and revenue funding.

This Government has replaced PFI funding with the Non Profit Distributing funding approach, which ensures any excess profits are recycled for the benefit of the public sector.

This is in addition to capital allocation for councils and is being used to directly fund new schools and the refurbishment of existing schools.

Health (and NPD)

As the Scottish Government is funding a share of NHS Boards unitary charge costs for NPD/hub projects, where does this funding come from, and what's the mechanism for accessing it?

The unitary charges are set out in the 'Revenue Consequences of NPD Schemes' within Draft Budgets and are already allocated in Health's budget. We would expect any further charges incurred to be managed within the allocated budgets.

Transport (and NPD)

What procurement models are being considered for the dualling of the A9 and A96?

With an investment value in the order of £2 billion to £3 billion for each of the A9 and A96 dualling programmes, a range of financing options continue to be considered for these projects, including revenue funding. We are carefully considering the scope and packaging of works as part of our delivery strategy to achieve completion of the A9 by 2025 and the A96 by 2030.

At this stage we have not come to any final decision but are considering financing as part of the business case development for both programmes. We are keenly aware of the interest from the market for these programmes and are working to secure their delivery. *(Cleared for PPP Forum Meeting November 2016).*

PFI Contracts

Subsequent to the 2016 school closures in Edinburgh and following through on the Scottish Government position prior to the 2016 election, will there be wider and longer term inquiry into PPP contracts in Scotland.

The Scottish Government has made clear its concern about the impact of the recent school closures in Edinburgh and has worked closely with Scottish Futures Trust and the City of Edinburgh Council to understand the nature of the issues identified and shared this information more widely across the public sector. Public safety is absolutely paramount and it is the responsibility of all owners of public buildings to ensure their safety.

The Scottish Government welcomes the City of Edinburgh Council's independent inquiry into the school closures which is currently ongoing and expected to be finished by the end of the year.

In relation to your broader comments about PPP/PFI schemes, the Scottish Futures Trust has over the period of the last Parliament undertaken work on behalf of Scottish Ministers to appraise contract management, improve performance and secure efficiency benefits within a number of operational PPP contracts and to assess the potential to renegotiate any of them. This is valuable work and we made clear in this month's Programme for Government that it will continue.

How much would it cost for the Scottish Government to buy out the current PFI contracts?

The termination of a PFI contract is a matter for each public sector procurement body which awarded it.

When a PFI contract is terminated, all risks associated with the assets would fall back to the public sector, termination compensation would be payable, and the value of the assets would become classified as public sector for national accounting purposes. Taking this into account, the termination of PPP/PFI contracts is generally unaffordable.

Can the Scottish Government not do something regarding the existing PFI contract payments?

We have tasked the Scottish Futures Trust to examine potential ways of reducing existing PFI contract payments and they are working closely with health boards and local authorities on potential savings.

During 2014 and building on the positive momentum of previous years, SFT's operational contract management team carried out further in-depth and targeted reviews of education and health projects to identify increased value and savings, estimated to be over £1m per annum recurrent year on year, as well as significant one-off savings.

Would the Scottish Government support the buyout of an existing Local Authority PFI contract?

The termination of a PFI contract is a matter for each public sector procurement body which awarded it.

The Scottish Government's position however, remains that we would not support such a proposal because the continuing financial support from the Scottish Government for the PFI scheme which would be used to fund the repayment of the borrowing, would score as supported borrowing and be a charge against our capital budget for which we would have to provide cover for.

The position is that under HM Treasury rules there would be a Capital cost and associated affordability issue for the Scottish Budget which the Scottish Government is not prepared to support.

The Scottish Government alongside Scottish Futures Trust has been encouraging procuring authorities over recent years to assess whether they can realise savings from their existing PFI contracts including re-scoping services, sharing in insurance cost savings and optimising the risk transfer in contracts.

PFI schemes should be bought out using local authority borrowing powers and making huge savings.

We share these concerns around the value for money offered by historic PFI contracts, which offered a bad deal for the public purse. Over the course of the last Parliament, the Scottish Futures Trust has been working on behalf of Scottish Ministers to appraise contract management, improve performance and secure efficiency benefits within a number of operational Public Private Partnership contracts. This work will continue.

In addition, the Non Profit Distributing (NPD) model developed by SFT has delivered improvements in the procurement and delivery of infrastructure projects across a range of sectors.

It is for individual local authorities to take decisions themselves about how to use their borrowing powers.

To ask the Scottish Government whether it plans to improve the assistance that it can give to local authorities to reduce the interest rates on their PFI contracts

The Scottish Futures Trust continues to work with public authorities in Scotland to assist in making savings and improving performance across PFI/PPP contracts.

In relation to interest rates, there is a mechanism within PFI/PPP contracts for the private sector to pursue a process known as refinancing, in circumstances where a reduction in financing costs can be achieved.

PFI/PPP contracts use long term senior debt financing that comprises either a completely fixed rate or more usually, a fixed element and a variable element (known as a margin). Given their nature, savings generally cannot be made on the fixed element. Economic conditions in the financing markets has meant that for projects entered into prior to 2008, margins were generally lower then than in current conditions which means that savings are not possible. Most local authority contracts were conclude within that period.

SFT is currently supporting a number of public sector stakeholders whose contracts completed after 2008 where refinancing gains may be possible.

There should be an to secrecy in how public money is spent on infrastructure projects in Scotland as the Scottish Government has signed contracts with the private sector which binds them from not releasing information about them.

We are committed to openness and transparency and comply with relevant legislation and regulations in all of its processes. The Scottish Government is also participating in the Open Government Partnership's Pioneer Programme, with the aim of helping people living in Scotland to better understand how government works so that they can have real influence on the issues which affect them.

What is meant by 'PFI flipping'?

This relates to the implications of public sector debt being controlled by investor's miles away from the underlying assets. For example, some construction firms have turned quick profits on long-term PFI projects to build and run schools and hospitals by selling them to investors, often based in offshore tax havens, early in the life of the contract. This is known as 'flipping' the contract.

[Some academics say that this creates a potentially risky financing structure for critical public services, reminiscent of America's subprime mortgage fiasco which was largely to blame for the financial crisis. In that instance, mortgages on large numbers of properties across the US were bundled together, refinanced and sold repeatedly around the world in such a way that it became nearly impossible to ascertain whether the people taking on the original mortgages could afford their repayments. As a result the mortgages were valued too cheaply and ran up catastrophic losses when homeowners defaulted].

<u>Hub Programme (prompt payment to contractors / sub contractors</u>

What provisions do contracts within the hub programme in relation to prompt payment of supply chain members by main contractors.

The hub programme has provisions built in to contracts which require prompt payment of supply chain members by main contractors. The Scottish Futures Trust (SFT) has

recently undertaken review of these processes across sample projects and has found a good level of compliance.

Where there are significant delays in payment these are generally associated with disputes around performance or other contractual matters within the supply chain. Where there are quality or contractor performance issues identified by procuring authorities at the level of the main contract, SFT supports authorities to achieve its contractual entitlement to a high-quality building delivered on time and within budget.

Processes to resolve disputes are very clear in the main contract (maintained by SFT) and will also be present in the subcontracts between the main contractor and specialist sub-contractors.

Disputes at the subcontract level may lead to payments being withheld and it is not SFT's, nor the relevant public procuring authorities' role to become involved in these sub-contract disputes, for which clear routes to resolution are set out in the contract entered into between the private companies involved.

Public Buildings

What is the Scottish Government position following the publication of the Cole Report?

The safety of people in public buildings is an absolute priority. That is why the Housing Minister has written to all local authorities highlighting the issues and recommendations the Cole Report (Report on the Independent Inquiry into the Construction of Edinburgh Schools), raises and underlining the importance of adhering to building regulations, technical standards and the inspection processes which are in place to protect the public. The Minister also wrote to leaders in the construction industry to ensure they were aware of the findings and recommendations in the Cole report. It is of course vitally important we can rely on quality workmanship and control processes.

The design of buildings is now very different with modern approaches to building insulation and construction leading to much less frequent use of the "brick and block" construction found to be defective in the Edinburgh schools programme. We are however not complacent and have sought assurances as to the quality arrangements in place and undertaken a sample of independent intrusive survey work which has not identified defects of a similar nature within the NPD/Hub programme.

The Cole report notes that the failures identified in Edinburgh were around construction quality and supervision. The Minister has hosted a round-table discussion with Professor Cole and key figures from the Construction sector to consider what actions are required by the industry to address the recommendations identified in the report. The Minister has also raised these issues with the Chief Executive of City of Edinburgh Council and received reassurances on the action they are taking to ensure the safety of pupils and staff across the city.

What is the Scottish Government position on public buildings which may contain large amounts of asbestos?

The Scottish Government takes the issue of the handling of asbestos within public buildings very seriously. We are clear with local authorities our expectation that they follow Health and Safety Executive recommendations for managing asbestos.

In addition, Minister for Local Government Kevin Stewart has recently written to all local authorities following the recent Cole Report on schools to highlight its findings and underline their obligations in relation to verifying and enforcing building regulations, technical standards and the inspection processes which are in place to protect the public.

School Buildings

Who is responsible for ensuring the safety of school buildings?

It is the responsibility of all Local Authorities to ensure that they provide safe environment's for all individuals who use buildings within their control.

The Education (Scotland) Act 1980 places a statutory responsibility on all local authorities to manage and maintain the school estate across Scotland.

The health, safety and wellbeing of all school users (including pupils, teachers, parents) whilst at schools is of paramount importance to the Scottish Government.

Brexit

What impact is "Brexit" likely to have on the Scottish Government's Infrastructure Investment Plan?

The Scottish Government however will pursue all possible options to protect Scotland's relationship with the EU. Scotland is and remains an attractive and stable place to do business but there is no doubt that the referendum outcome has created deep and widespread uncertainty. The impact on jobs and investment is already being felt; although we will all have seen the mixed reports and economic data that have emerged since June.

Doubtless we will continue to see fluctuations in economic forecasts in the short term and we need to keep in view movements in, for example, construction inflation and the flow of labour, but I don't expect this to lead to changes in the scale of the Scottish Government's commitment to infrastructure investment and the value we place on it within our economic approach.

At political level, we have pressed UK Government counterparts on several occasions for agreement that there should be a further economic stimulus in the Autumn Statement. At an operational level, agencies such as SFT and the enterprise bodies are clearly focused on understanding and responding to the unfolding implications of the Brexit vote.

And as a Government, we recently announced a further £100 million of spending this financial year to accelerate planned projects in order to boost confidence, to stimulate economic activity and to support businesses.

And we are determined to do all we can to attract investment in Scotland. I am particularly pleased that working in partnership with the City of Edinburgh Council and SFT, the Edinburgh St James Quarter Growth Accelerator funding package was signed last month which will unlock over £1 billion of investment benefitting the Scottish economy. *(Cleared for PPP Forum Meeting November 2016).*

To what extent is the UK and Scottish Government's bound by Eurostat guidance in anticipation of Brexit?

Looking beyond Brexit, we would expect that the UK and Scottish Government's will need to comply with the international System of National Accounts (SNA) 2008 (which ESA10 interprets in relation to EU Member States) to be relevant for international money markets. The SNA is produced under the auspices of the United Nations, the European Commission, the Organisation for Economic Co-operation and Development, the International Monetary Fund and the World Bank Group.

This would apply whether the UK or Scotland is in or out of the EU and the Eurozone. While it is conceivable that, post-Brexit, the ONS would have an opportunity to reflect on how it interprets SNA2008, our expectation is that they would largely be bound to be consistent with international practice.

Private and institutional funding streams

How does the Scottish Government encourages local authorities to take advantage of the private and institutional funding streams that are available to them.

In the current economic climate, the Scottish Government and local authorities have been working jointly to find innovative ways of financing investment in a range of areas, including through the hubco initiative and the Scotland's schools for the future programme, which includes revenue-financed secondary schools, and by attracting private investment to support affordable housing.

The Scottish Government welcomes opportunities to work in partnership. There can be partnership between local authorities and private developers to deliver housing in a constructive and innovative way. Issues have emerged to do with risks and guarantees, and the Scottish Government has offered constructive support in mediating and navigating our way through such issues.

The unlocking of the potential of the pension funds, for example, to help to deliver sustainable economic growth, is to be encouraged. Scottish Government officials work closely with local authorities to try to unlock that potential.

Pension Funds

What recent discussions has the Scottish Government had with pension fund administrators regarding investment opportunities to support capital infrastructure projects.

The Scottish Futures Trust engages directly with pension funds and a number of third parties acting on their behalf on financing opportunities in Scottish infrastructure projects. As part of that engagement, it has recently had discussions with Aviva, M&G, Prudential, Allianz, Legal & General and Standard Life [December 2014].

Are there any plans to approach pension fund administrators, particularly in the public sector, about opportunities to support capital projects in their areas?

We are well aware of previous efforts to allow local authorities to use pension funds towards infrastructure projects in their areas. In particular, the City of Edinburgh Council previously considered that in relation to the purchase of Edinburgh airport. Other authorities have done something similar.

We have no immediate plans to try to pressure local government pension fund authorities and their pension committees to invest pension fund money in infrastructure projects, because investment decisions are made by local government pension fund committees. Ministers have not intervened in the past; the matter is for local authorities.

Changes to the pension committees are coming in April 2015, which will ensure that there is a 50:50 split in local authority representation on the committees. We believe that such investment decisions should remain with local authorities and their representatives on pension committees, in light of their fiduciary duties.

Climate Change (and IIP)

How adequately was the issue of climate change resilience considered in the development of Scotland's Infrastructure Investment Plan?

The 2015 Infrastructure Investment Plan (IIP) outlines investments which are a major part of the step change needed to meet our ambitious climate change targets.

Projects and programmes within the IIP have been included because they contribute to the Government's Purpose and support public services. Many of the projects will also have a strongly positive carbon impact, such as the significant investment in improving the health, schools and college estates.

The IIP recognises Energy Efficiency as a National Infrastructure Priority. This demonstrates the Government's commitment to tackling climate change and fuel poverty through investment in domestic energy efficiency. In addition, investment in energy efficiency of businesses helps reduce energy costs and grow our low carbon economy.

Scotland's Energy Efficiency Programme (SEEP) is the cornerstone of this activity with the aim of improving the energy efficiency of all buildings in Scotland over 15-20 years drawing from the success of our current area based schemes and incorporating new powers over energy company obligations which are to be devolved.

Our commitment to addressing climate change is demonstrated across portfolios including the following examples:

- Low carbon transport initiatives –investment in cleaner technologies such as electric vehicles
- Active travel - encouraging walking and cycling
- Street lighting replacement programme
- Schools for the Future Programme – more energy efficient school buildings, using renewable technologies
- Health Projects - 3 NHS Boards are planning to invest in the Carbon Energy Fund which will, amongst other benefits, improve the energy infrastructure and minimise energy consumption

Local Authority Debt

What does the Scottish Government propose would happen to Local Authorities debt to the Public Work Loans Board in the event of independence and would it be able to provide finance to take on that debt?

The repayment of debt is the responsibility of those bodies that have taken out the loans and it would not be the Scottish Government's intention to take on existing council debt.

It is up to local authorities to decide if they wish to borrow and any commitments are based on what they deem to be prudent and affordable. Council tax is not the only way local authorities can manage outstanding debt – they are entitled to use all resources available to them as well as through support from the Scottish Government, including support for the repayment of historic debt, and other income streams.

Only the lender is able to write off a loan, and the Scottish Government does not lend to local authorities.

END

From: [redacted]
Sent: 18 October 2018 10:36
To: Cabinet Secretary for Health and Sport <CabSecHS@gov.scot>
Cc: [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; McCallum R (Richard) <Richard.McCallum@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; Morrison A (Alan) <Alan.Morrison@gov.scot>; News Desk <Newsdesk@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; News Desk <Newsdesk@gov.scot>; Minister for Mental Health <MinisterMH@gov.scot>; Minister for Public Health, Sport and Wellbeing <MinisterPHSW@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; Communications Healthier <CommunicationsHealthier@gov.scot>; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; [REDACTED – PERSONAL INFORMATION (S38(1)(B)]; DG Health & Social Care <DGHSC@gov.scot>
Subject: RE: MEDIA QUERY: Ninewells petition - Evening Telegraph

[REDACTED – PERSONAL INFORMATION (S38(1)(B)],

Please find draft letter attached for Cab Sec's consideration.

Background information for noting:

- The car park at Ninewells Hospital is managed by Indigo under a 30-year PFI contract which concludes in 2029.
- The option of buying out the PFI contract has been investigated but it would be prohibitively expensive.
- Indigo is responsible for the parking charges on the site. In accordance with the PFI contract, there is an annual review of parking charges which is linked to the Retail Price Index.
- When Indigo advises NHS Tayside of any proposed changes to parking charges, these are reviewed by NHS Tayside to ensure that they meet the contractual obligations before they are implemented.
- NHS Tayside receives a 10% share of car parking revenues.
- Car parking charges are to increase from November 2018, including:
    - 10p per day increase for visitors, taking the daily charge to £2.40
    - £15.60 increase for annual staff permits taking the annual charge to £452.40
- There has been no discussion between NHS Tayside and Indigo regarding a price freeze.
- The Evening Telegraph has launched a petition calling for car parking charges to be frozen at current rates (as set in November 2017) until at least November 2019.

Kind regards,

Rowena