

# Infrastructure Investment Plan 2015

## Progress Report for 2016



Scottish Government  
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## Foreword

We published an updated Infrastructure Investment Plan in December 2015 which outlined 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 10 to 20 years. This annual progress report outlines key achievements over the course of 2016 and looks forward to developments in 2017 and beyond.

We continue to support major investment across our communities in order to modernise infrastructure, boost our economy and provide vital support for our construction and service sectors.

Despite some increases in conventional capital budgets announced in the UK Spring Budget in 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 therefore 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 planned capital investment of £4 billion includes a combination of our capital budget, borrowing powers, revenue funded investment through our Non-Profit Distributing/hub programme and Regulatory Asset Base (RAB) rail enhancements as well as capital receipts. It is estimated that this planned investment will support around an estimated 30,000 full time equivalent jobs.

Significant progress continues to be made in delivering our Infrastructure Investment Plan as demonstrated by this report on projects that have been delivered by our accompanying published pipeline of project activity.

During 2016 projects totalling almost £800 million completed construction within our pipeline. These are now operational and include:

### Transport

- Edinburgh Gateway Interchange (£41.0 million).
- A96 Inveramsay Bridge Improvement (£10.2 million).

### Health

- NHS Ayrshire and Arran - Acute Mental Health & North Ayrshire Community Hospital (£54.8 million).
- NHS Lothian - Royal Edinburgh Campus Redevelopment Phase 1 (£49 million).
- NHS Greater Glasgow and Clyde - Maryhill Health Centre (£13.6 million).
- NHS Greater Glasgow and Clyde - Eastwood Health & Care Centre (£10.8 million).

### Schools

- Brechin Community Campus, Angus (£25.6 million).
- Harris Academy, Dundee (£31.8 million).
- Lenzie Meadow Primary School, East Dunbartonshire (£11.6 million).
- James Gillespie's High School, Edinburgh (£38.4 million).

- North Uist Primary School, Eilean Siar / Western Isles (£8.9 million).
- Mariner Support Services, Falkirk (£0.5 million).
- Levenmouth Academy, Fife (£45.3 million).
- Glendale Primary School, Glasgow (£14.3 million).
- Inverness Royal Academy, Highland (£39.0 million).
- Kilmacolm Primary School, Inverclyde (£4.3 million).
- St Patrick's Primary School, Inverclyde (£7.0 million).
- Clyde Valley High School, North Lanarkshire (£27.2 million).
- Greenfaulds High School, North Lanarkshire (£32.1 million).
- Evie Primary School, Orkney Islands (£2.9 million).
- Sound Primary School, Shetland Islands (£0.7 million).
- St Margaret's Primary School, Stirling (£6.5 million).
- St Ninian's Primary School, Stirling (£8.3 million).
- Toronto Primary School, West Lothian (£2.5 million).

#### **Further Education**

- City of Glasgow College (£228.6 million).
- Ayrshire College Kilmarnock Campus (£53.6 million).

#### **Particular highlights from the different sectors in this progress report include:**

**Transport:** A significant milestone was achieved on the M8, M73 M74 Motorway Improvements Project in February when the Raith Underpass was opened to traffic, with significant reductions in journey times reported. Construction of the overall project includes upgrading the A8 between Glasgow and Edinburgh to complete the 'missing link' as well as major improvements on the M73, M74, and A725. In December the new Edinburgh Gateway interchange project 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.

**Health:** In December phase one of the Redevelopment of Royal Edinburgh Hospital Campus was completed and the keys to the facility were handed over to NHS Lothian. A rolling programme of service relocations to the new facilities will see staff moving into their new surroundings during 2017. In May NHS Ayrshire and Arran's Acute Mental Health & North Ayrshire Community Hospital was officially opened following practical completion in April. The new facility for 206 inpatients is now called Woodland View and serves East, North, and South Ayrshire.

**Schools:** Eighteen school projects worth almost £310 million were completed within the Schools for the Future programme during 2016 and thirty two schools commenced construction.

**Further and Higher Education:** In October the new Ayrshire College campus in Kilmarnock opened to students. The project in East Ayrshire was the single largest public sector investment Kilmarnock has ever seen and delivered state of the art learning facilities for staff and students alike. In August the City Campus in

Cathedral Street which forms part of the City of Glasgow College 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.

**Culture and Heritage:** A ‘topping out’ ceremony was held at the beginning of March 2017 to mark a significant moment in the construction of the V&A Museum in Dundee. The topping out ceremony marks an important achievement for the museum and a key milestone towards achieving Dundee’s ambitions for the city as well as Scottish culture and tourism.

**Justice:** Plans for the development of a new national facility for women offenders are progressing and a Prior Information Notice for the project was published on 4 March 2017. Planning permission has been obtained for the new Inverness Justice Centre and the main construction works will commence in October 2017.

**Digital:** Our Digital Scotland Superfast Broadband (DSSB) programme is delivering over £400 million investment to drive broadband coverage right across Scotland and will extend fibre access to at least 95% of premises by the end of 2017. The DSSB programme is delivering at pace and having a huge impact. By the end of January 2017 the programme had connected over 700,000 premises.

**Energy:** We have now published our overarching energy strategy to create a firm, long-term basis for energy investment in Scotland setting out the Scottish Government’s vision for the future energy system in Scotland, to 2050. It articulates the priorities for an integrated system-wide approach that considers both the use and the supply of energy for heat, power and transport. There are exciting opportunities to shape our future energy system, and to help tackle the challenges of climate change, affordability of energy, and the efficiency of our energy use. Views are being sought on the vision set out in the draft Energy Strategy and how we will seek to achieve this.

**Water:** Scottish Water reported for the financial year 2015-16 that it had invested £479 million and in doing so had made a further contribution towards a number of the Government’s key strategic objectives. This investment enabled it to deliver better services to customers, improve drinking water quality, provide additional capacity to meet the demands of new housing, reduce leakage and protect Scotland’s environment.

**Rural Economy and the Environment:** The local authority capital settlement includes £42 million identified as being available for flood protection schemes and a 10 year funding approach was agreed with COSLA (Convention of Scottish Local Authorities) in July 2016.

**Housing:** Over 2011-2016 we exceeded our 30,000 affordable homes target and to end of March 2016 a total of 33,490 affordable homes were delivered, 22,523 of which were for social rent, including 5,992 council homes. Building on this success, we and our partners want more homes delivered across all tenures and are pursuing this through More Homes Scotland; an overarching approach we launched in March 2016 to support increased housing supply. During the current parliamentary term,

2016-21, our target is to deliver more than 50,000 affordable homes, backed by investment of over £3 billion.

**Regeneration:** Over £483 million directly invested in regeneration since 2007-08, including activity in 2017-18.

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.

In addition to this progress report and the aforementioned project pipeline, accompanying updates have also been published on the progress of major capital projects over £20 million and the pipeline of investment in major programmes. All of these reports can be found on the Scottish Government website by way of the following link:

[www.gov.scot/Topics/Government/Finance/18232/IIP](http://www.gov.scot/Topics/Government/Finance/18232/IIP)

Our aim is to give the market and other interested stakeholders a clear overview of our long-term investment plans and the progress we are making and we will continue to update these regularly on our website.

We look forward to continuing to work with the private sector, local government, and all our stakeholders to ensure that collectively we maximise the benefits of infrastructure investment to the people of Scotland.

**Keith Brown MSP**  
**Cabinet Secretary for Economy, Jobs and Fair Work**

## TRANSPORT

**M8, M73 M74 Motorway Improvements:** The NPD contract was awarded to Scottish Roads Partnership in February 2014. The project will upgrade the A8 Baillieston to Newhouse, completing the M8 motorway between Glasgow and Edinburgh, including improvements to the M74 Raith Interchange and widening of key sections of the M8, M73 and M74,

The project is progressing well, and as it moves into its final stages the focus of construction has shifted to completing the various structures across the project. A significant milestone was achieved on 16 February 2017 when the Raith Underpass was opened to traffic, with significant reductions in journey times reported.

The project has also reached the stage of construction where it is necessary to connect the newly constructed 'off-line' infrastructure with the existing ('on-line') road network. Traffic management measures are extensive across the project, and will remain in place at a number of locations as the scheme moves towards opening to traffic in Spring 2017.

**Aberdeen Western Peripheral Route (including Balmedie to Tippetty):** This NPD contract was awarded in December 2014 to Aberdeen Roads Limited. Works continue to progress across the project site. Phase 1 comprising the Craibstone and Dyce Drive junctions on the A96 became operational in August 2016.

The Stonehaven southbound slip roads are expected to open in spring 2017, bringing early benefits to the people of Stonehaven by taking long-distance traffic away from the town. At the major bridge over the River Dee, the south pier is now complete and the north pier is in progress. Once completed, the works to install the bridge deck will commence.

The project, including the Balmedie to Tippetty section, will open to traffic in winter 2017-18. The project will provide substantial benefits across the whole of the north east and will provide a boost to the economy; increase business and tourism opportunities; improve safety; cut congestion as well as increasing opportunities for improvements in public transport facilities.

**A9 Dualling Perth to Inverness:** Design work is well underway on the 11 road schemes that make up the 80 miles of A9 Dualling.

The road orders for the Luncarty to Pass of Birnam section were made on the 13 December 2016 completing the statutory process and allowing the procurement process to begin. The procurement process for the main construction contract for this project is expected to start this year with work starting on the ground towards the end of 2017.

The £35 million contract for the first section of the A9 Dualling to be constructed between Kincaig and Dalraddy was awarded to a joint venture of Wills Bros Civil Engineering and John Paul Construction. Work is now well underway and is expected to be completed in summer 2017; with traffic already using the southbound carriageway and work underway to upgrade the existing road.

**A737 Dalry Bypass:** Following completion of the statutory process for the A737 Dalry Bypass, four bidders were invited to participate in the competition for the main works, in July 2016. Work is now underway across the site in advance of the award of contract for the main works, due in spring 2017.

**Forth Replacement Crossing:** The Forth Replacement Crossing (FRC) project is now targeting opening to traffic between mid-July and the end of August 2017, approximately 4 to 10 weeks later than anticipated as the contractor has stated there have been fewer clear weather windows than expected, particularly in relation to wind. This has delayed weather dependant activities causing them to bunch together at the end of the programme to a much greater degree than was anticipated

The project is still targeting the revised budget range of £1.325 billion - £1.35 billion and has realised cumulative savings of £245 million since construction began in June 2011.

The final deck lifting operation took place to complete the Queensferry Crossing's deck on 3 February. This marked the completion of a spectacular 17 months on the project which has seen 122 deck sections lifted into place in total. The first 12 were lifted into place by floating crane in October 2014 with the remaining 110 lifted into place since September 2015.

In total 77,200 tonnes of steel and concrete has been added to complete the deck of the new bridge. Overall, 1,868 metres have been lifted across this part of the bridge which is 2,633 metres in length in total when the approach viaducts on the north and south are included.

The final 400 mm gap between the south approach viaducts and the cable stayed bridge was jacked closed on 27 February on the southbound side and on 1 March on the northbound side. Final welding of these joints is currently in progress and then the final four deck concrete pours will be carried out to complete the main bridge deck.

The remaining work continues to be weather sensitive, particularly the on-going waterproofing and surfacing of the bridge deck. The network connections on the South side are complete but for some minor finishing works and on the North side they are nearing completion.

This project has continued to directly support an average of 1,300 jobs, recently reaching a new peak of over 1500. Since 2011, over 10,000 people have worked directly on the project with many more employed in the supply chain via sub-contract and supply order opportunities. Up to December 2016, 308 out of 561 sub-contracts (55%) have been awarded to Scottish firms with a value of about £183 million out of a total of about £486 million (37.6%). In addition, 51,638 out of a total of 55,908 supply orders (92%) have been awarded to Scottish companies with a value of about £152 million out of a total of about £202 million (75%). Up to 31 December 2016, Scottish firms have been awarded sub-contracts or supply orders on the FRC project with a total value of about £335 million out of a total of about £688 million (48.7%).

**A96 Dualling Inverness to Aberdeen (Design):** Draft Orders for the 31km A96 Inverness to Nairn (including Nairn Bypass) section were published on 29 November 2016 for formal comment. In addition route option assessment work is underway on the 46km section between Hardmuir and east of Fochabers following the award of a design contract, worth up to £50 million, in June 2016. It is expected that the route option assessment process for this section will take approximately 2 years to complete. A contract notice for design work on the 42km section from east of Huntly to Aberdeen, also worth up to £50 million, was published in January 2017. Route option assessment work on this section will get underway once the contract is awarded later this year and take approximately 2 years to complete.

**A82 Improvements (Design):** The development and assessment of the preferred option to upgrade the 16km stretch of the A82 between Tarbet and Inverarnan is underway with a view to preparing draft Orders for the scheme in 2018.

**A77 Maybole Bypass (Design):** Orders for the Maybole Bypass were made in March 2016 which completed the statutory process for the scheme. Procurement of the main works contract is due to commence in 2017-18, with construction expected to begin in 2018-19.

**A90/A96 Haudagain Junction Improvement (Design):** Orders for improvements at Haudagain were made in February 2017 which, subject to no legal challenge, will complete the statutory process for the scheme. Procurement of the scheme is due to commence in 2017-18, with construction to begin following completion of the Aberdeen Western Peripheral Route.

## **Trunk Roads Progress Update Report**

Maintaining and safely operating our trunk road and rail networks, as well as implementing our strategic road safety plans requires some £400 million every year. This provides for essential services including ensuring the networks are available throughout the winter, and addresses the most urgent maintenance of the trunk road. The trunk road network is 3,429 km long, and the rail network some 2,759 km, of which 24 per cent is electrified.

On the roads we will continue to seek to realise the benefits that can be gained by using Intelligent Transport Systems (ITS) to make our trunk road network as safe and efficient as possible. ITS systems and the Traffic Scotland service are essential parts of our transport resilience responses. These allow us to utilise multiple technology platforms (mobile websites, apps, internet radio and social media) to target reduced journey times across the transport network, inform transport network users of issues, alternative routes and methods of travel to minimise transport disruption. There will be a new ITS 10 year strategy document which will map out future strategic directions for ITS and consider options such as further managed motorways like the current Fife ITS scheme.

Work will also continue towards achieving the casualty reduction targets set out in Scotland's Road Safety Framework to 2020. This will be supported by the refresh of the Strategic Road Safety Plan and continued effective deployment of safety cameras. A recent example is the £3 million plus spend on average speed cameras

on the A9. This has achieved not only notable casualty reductions but also improved journey time reliability.

Investment and research will continue into making the trunk road network even more resilient to the effects of adverse weather. For example, for winter season 2016-17 152 state of the art gritters operating on the trunk roads are less than four years old. This represents 73% of the total winter fleet for trunk roads. We proactively invest and trial more technology to improve decision making and responses by those managing the winter treatments. This includes an asset management programme to maintain, replace or renew weather sensor stations annually. For the 2016-17 we also launched a new Gritter Live Tracking module on the Traffic Scotland website to allow people to see when gritters are in their areas.

We also plan to invest in technology to assist the optimisation of the trunk road network through providing clear and helpful information. The Traffic Scotland mobile website, accessible across a range of mobile platforms, including smartphones, allows users to access information from Traffic Scotland wherever they need it. This is in addition to a programme of managed motorways, including ramp metering, active signage and measures like the bus hard-shoulder running being implemented during construction of the Forth Replacement Crossing.

## **Ferries**

Major redevelopment works at Brodick harbour started on 11 January 2016 and are due to be completed in mid-2017. This is a major investment of around £30 million to secure a safe, efficient and reliable ferry terminal to support the island's primary transport connection to the mainland. The Scottish Government is providing a £17.8 million grant towards the project.

The third hybrid ferry to be built at Ferguson Marine Engineering Ltd Shipyard (MV *Catriona*) was delivered July 2016. The contract value was £12.3 million. She entered service on CalMac's Claonaig - Lochranza route in September 2016.

On 16 October 2016, a contract for two 100m dual fuel vessels for CalMac was awarded to Ferguson Marine Engineering Ltd. The contract value is £97 million. The first vessel is due to be delivered by the second half of 2018 with the second vessel being delivered a few months later. The vessels will be initially deployed on services to Arran and from Uig, Skye, to the Outer Hebrides.

Marine works at Kerrera involving 2 new slipway extensions plus the installation of a breakwater on the south side of the extended Kerrera slipway started on 4 January 2016 and were completed in August 2016. The contract value was £1.7 million.

Caledonian Maritime Assets Ltd are currently considering tenders for replacing the slipways at both Colintrave and Rhubodach and the provision of a new marshalling area.

## Electric Vehicles

Around £15 million has been invested to date in the ChargePlace Scotland network of electric vehicle charge points. This comprises over 1,200 bays (equating to over 600 charge points). This includes over 150 'rapid' charge points, one of the most comprehensive networks in Europe. We also provide funding for domestic and commercial charge points. Support has also been provided towards a hydrogen refuelling facility at Fife Council's Bankhead Depot, to augment the Levenmouth Community Energy Project.

**Shotts Electrification:** The project delivers the electrification of the 23 mile route between Holytown Junction and Midcalder Junction. The project will improve connectivity, increase capacity and efficiency, enhance the passenger experience by the introduction of new rolling stock, reduce journey times and improve freight reliability. The Anticipated Final Cost of the project is £160 million and is on target for completion by the end of Control Period 05 in March 2019.

**Highland Mainline:** The long term aim of the Highland Mainline project seeks to achieve a journey time of 2 hours 45 minutes between Inverness and the Central Belt, with an average journey time of 3 hours and an hourly service by 2025. The current phase, Phase Two, aims to achieve a further journey time reduction of approximately 10 minutes, an hourly service and more efficient freight operations that better respond to the needs of customers. The Anticipated Final Cost of the project has significantly reduced from £117 million to £65 million due to a whole industry approach to the project. The project remains on schedule for completion by March 2019.

**Aberdeen – Inverness Rail Improvements:** Phased programme of improvements to the railway infrastructure in the North east of Scotland over the period 2014 – 2030. Faster journey times, the introduction of high speed trains from summer 2018, and increased service provision will deliver a 75 per cent increase in capacity and enhanced connectivity over the whole of the route.

Phase one is scheduled to reach completion by 2019 with agreed investment of £281 million (at 2012-13 prices). Future phases of the project will help support an hourly service between Aberdeen and Inverness, with an average journey time of around 2 hours.

**Edinburgh Glasgow Improvement Programme (EGIP):** The £795 million EGIP programme is a comprehensive programme of improvements to Scotland's railway infrastructure, rolling stock and service provision which will provide a major boost to the wealth of Scotland and its long terms economic sustainability.

The programme has already delivered a number of infrastructure improvements on time and within budget such as Haymarket Station redevelopment, electrification of the Cumbernauld line and in December 2016 the new £41 million Edinburgh Gateway rail/tram interchange.

The introduction of electric 7 car services from December 2017 and 8 car services from December 2018 remain on schedule.

## HEALTH

Projects completed during 2016 include:

**NHS Ayrshire and Arran - Acute Mental Health & North Ayrshire Community Hospital** (£54.8 million). Completed in 2016 and serving East, North, and South Ayrshire, this new facility for 206 inpatients will centralise adult mental health and addiction inpatient services on one site; improve rehabilitation and re-enablement services; improve treatment and rehabilitation facilities for older people; and provide additional outpatient and support services. This project now called Woodland View, officially opened in May 2016 following practical completion in April 2016.

**NHS Lothian - Royal Edinburgh Campus Redevelopment (Phase 1)** (£49 million). Completed in December 2016, the phase one redevelopment of the Royal Edinburgh Hospital includes new accommodation for the adult acute mental health inpatient service, older people's mental health assessment, Intensive Psychiatric Care Service (IPCU) and the new Robert Fergusson national brain injury unit.

**NHS Greater Glasgow and Clyde – Eastwood Health Centres** (£10.8 million). Completed summer 2016. The innovative new centre offers the Eastwood community access to a wide range of health and social care services under one roof for the first time. It is home to five GP practices and community health and care services including clinics, podiatry, physiotherapy, children's services, adult mental health services, speech therapy, district nursing, health visiting and social work.

**NHS Greater Glasgow and Clyde – Maryhill Health Centres** (£13.6 million). Completed summer 2016. The state-of-the-art facility provides improved access to a range of primary care services including three GP practices, physiotherapy, district nursing, dentistry and health visitors.

**NHS Fife - Intensive Psychiatric Care Unit at Stratheden Hospital** (£4.5 million). Completed May 2016. The new facility will include a communal lounge and rooms for rehabilitative and therapeutic activities. Patients will each have their own single en-suite bedrooms, offering more privacy, whilst there will also be access to an outdoor courtyard and private meeting rooms for visits from families or visitors.

Major projects expected to be completed during 2017 include:

- NHS Ayrshire and Arran - Building For Better Care.
- NHS Dumfries and Galloway- Acute Services Redevelopment Project.
- Scottish National Blood Transfusion Service National Centre.
- NHS Lothian - Partnership Centre Bundle.

## **SCHOOLS (SCOTLAND'S SCHOOLS FOR THE FUTURE)**

The Government's school building programme, Scotland's Schools for the Future, is worth £1.8 billion (£1.13 billion provided by Scottish Government and £665 million by local authorities). This will see the construction of at least 112 new or refurbished schools which will be built in every part of Scotland, in partnership with local authorities, by March 2020.

In 2016, 18 of the school projects within the programme were completed (11 primary schools and 7 secondary schools). The total capital value of the schools completed is around £310 million, of which Scottish Government's contribution is circa £163 million. The school completed included:

- Brechin Community Campus, Angus;
- Harris Academy, Dundee;
- Lenzie Meadow Primary School, East Dunbartonshire;
- James Gillespie's High School, Edinburgh;
- North Uist Primary School, Eilean Siar / Western Isles;
- Mariner Support Services, Falkirk;
- Levenmouth Academy, Fife;
- Glendale Primary School, Glasgow;
- Inverness Royal Academy, Highland;
- Kilmacolm Primary School, Inverclyde;
- St Patrick's Primary School, Inverclyde;
- Clyde Valley High School, North Lanarkshire;
- Greenfaulds High School, North Lanarkshire;
- Evie Primary School, Orkney Islands;
- Sound Primary School, Shetland Islands;
- St Margaret's Primary School, Stirling;
- St Ninian's Primary School, Stirling; and
- Toronto Primary School, West Lothian.

In 2017, 33 schools projects (19 primary schools; 12 secondary schools; and 2 additional support need schools) are expected to be completed.

The total capital value of the schools expected to complete in 2017 is around £609 million, of which the Scottish Government's contribution is around £326 million.

## **FURTHER AND HIGHER EDUCATION**

There are a number of projects being supported by the Scottish Government and the Scottish Funding Council (SFC) across both the further and higher education sectors.

The following projects were completed in 2016 with this support:

- The £53.6 million Ayrshire College (Kilmarnock Campus) opened to students in October 2016. The project in East Ayrshire has provided state of the art learning facilities and was delivered by way of the SG's NPD investment programme.
- The City Campus in Cathedral Street which forms part of the £228.6 million City of Glasgow College project and which is one of the largest specialist college buildings in Europe opened to students in August 2016. This follows the building of the Riverside Campus which opened in August 2015. The project was delivered by way of the SG's NPD investment programme.
- SFC grant funded a £6 million development of a joint school/college facility in Levenmouth which opened in summer 2016.
- £10 million supported construction of a biomass energy centre at the University of St Andrews Guardbridge campus which completed in November 2016.

Ongoing major college projects include:

- Forth Valley College - £83 million new Falkirk campus. The Full Business Case (FBC) was approved in December 2016 and the project is now in procurement. The FBC outlines that the project will be operational by October 2019.
- Fife College - £86 million new West Fife campus in Dunfermline. Fife College is currently preparing a FBC for submission to the SFC by May 2017. It estimated that the project will be operational by August 2020.

Other ongoing supported projects include:

- SFC contributed £10 million to a £25 million project to support the building of a Large Animal Research and Imaging Facility (LARIF) at Edinburgh University (Easter Bush Campus). This is due to be completed in August 2017.
- SFC provided £8 million to install a Combined Heat and Power District Energy Network at Strathclyde University and this due for completion in October 2018.
- SFC contributed £3.5 million over 2013-2015 to support the construction of the Lyell Centre whose facilities will enable the British Geological Survey (BGS) and Heriot-Watt University (HWU) to build on their individual and combined interdisciplinary expertise in land and marine conservation, geology and geoscience.

- SFC will contribute up to £5 million alongside a £5 million contribution from UK Government towards the restoration of the Mackintosh building. The building is now in the formal construction phase which is scheduled to complete in January 2019 with the Glasgow School of Art taking academic access in September 2019.
- SFC is contributing £3.6 million to upgrade the Janet network infrastructure supporting Scotland over 2017-18. This will involve increasing the backbone capacity and improving the network's resilience to cyber-attacks.
- In 2016-17 SFC supported the development of business cases for energy efficiency retrofit projects in the college sector, to be supported by £5 million economic stimulus funding from Scottish Government (working with Scottish Futures Trust). We are also exploring the use of a new financial transaction facility from Scottish Government to support a programme of energy efficiency projects in the university sector, to be implemented from 2017-18 onwards.
- In 2014 SFC announced an additional £14 million of capital funding for the 8 Innovation Centres to support their work linking academia to business. This was later complemented by additional capital funding of almost £0.5 million from Scottish Enterprise (SE) for the Innovation Centre for Construction. The Innovation Centre for Construction is using its share of the funding to buy state of the art prototyping and testing equipment. Funded by Construction Scotland Innovation Centre, SFC and SE, the new industry-led facility will deliver 30,000 sq. ft. of workshop space housing state-of-the-art construction and manufacturing equipment, complete with a 5 tonne overhead gantry crane for heavy lifting.

## **CULTURE AND HERITAGE**

Ongoing multi-year key programmes are:

- the V&A Museum of Design Dundee;
- estates and storage maintenance; and
- repair and improvements at the National Collections.

Phase 1 of the refurbishment of the Kelvin Hall in Glasgow was completed in 2016. This is a partnership with Glasgow University and Glasgow City Council which included the creation of a new centre for the Moving Image Archive, relocating the National Library of Scotland's Scottish Screen Archive previously housed at Hillington Industrial Estate.

Undertaking repairs, maintenance and improving storage in the cultural estate is ongoing. The most significant ongoing project is external refurbishment of the National Library's Causewayside building, of which Phase 1 is complete with Phase 2 ongoing at present.

The V&A Museum of Design Dundee project is under construction and will open to the public in 2018.

## JUSTICE

### Prison Estate

- **Plans for Women in Custody** - in June 2015, the Cabinet Secretary for Justice announced proposals to build a new small national prison at the Cornton Vale site, near Stirling, and up to five regional Community Custody Units (CCUs), each accommodating around 20 women. Work to identify the locations for the CCUs is proceeding in dialogue with local partners. Plans for the development of the new national prison are progressing and are in line with the plans for the prison to be operational by the end of 2020.
- **HM Prison Highland** – a new site for the location of HMP Highland which will replace HMP Inverness was announced on 9 February 2017. The new site is at Inverness Retail Park and is approximately 7.2 hectares. An application for planning permission in principle will be lodged with Highland Council in the near future.
- **HM Prison Glasgow** – work to identify appropriate potential sites is on-going. Preliminary discussions have been entered into with the owners of a prospective site. These are progressing and draft heads of terms are awaited.

### Inverness Justice Centre Project

- A suitable site which is close to the town centre and bus and train links has been procured and planning permission has been obtained. The main construction works will commence in October 2017 with a view to completion and occupation in June 2019.

### Police Scotland ICT

- The Police Scotland i6 ICT project aimed to deliver an integrated and comprehensive suite of frontline police ICT capabilities covering crime reporting, missing persons, custody, vulnerable persons, lost property and criminal justice. The project was terminated on 1 July 2016 following an assessment that it could not deliver the required functionality within the contracted timescales.
- The conclusions of the Audit Scotland review of i6 published on 9 March 2017 highlight a number of areas where good practice was followed, including the procurement process and the effectiveness of contract arrangements as well as examining reasons why the project failed. The failure of the i6 project is attributed to an underestimate of the effort involved; to the method of development which meant fundamental flaws only became clear in the testing phase; and to a dispute between Police Scotland and Accenture which occurred early in the life of the programme, but which affected relationships throughout.
- The Audit Scotland review highlights that Accenture paid the Scottish Police Authority (SPA) a settlement of £24.65 million, made up of a refund of £11.09 million and an additional compensation payment of £13.56 million.

- Police Scotland is now taking a more modular and incremental approach to ICT development to manage risk. The Policing 2026 strategy published by SPA and Police Scotland on 27 February sets out a future direction for various aspects of police technology, and this will be supported by more detailed implementation plans later this year. SPA have confirmed that they “are confident that improved relationships and trust between the SPA and Police Scotland would see issues raised and escalated for resolution at an earlier stage. There is stronger SPA strategic oversight of change programmes.”
- Police Scotland have said: “i6 was an important element of Police Scotland’s ICT plans - but not the sole element. Since 2013, more than 30 national applications have been implemented successfully. This includes replacing or upgrading a significant amount of out-dated hardware and real progress has been made towards the delivery of a new national network and standardised modern national desktop computers. Within six months of the decision to end i6 a new National Custody System was successfully launched across the country which was one of the key requirements of the i6 project.”

### **Emergency Services Future Communications**

- Ahead of the decommissioning of the Airwave telecommunications system, which is currently used by the emergency services across Scotland and the rest of Great Britain, a Home Office-led programme is progressing the introduction of successor provision – the Emergency Service Network. Initial contracts for the central lots were awarded to Motorola (user services) and EE (mobile services) in December 2015, since then work on mobilisation has been taken forward by the contractors, with planning applications being put forward and the first of the new infrastructure beginning to appear. Work on supplementary related projects (e.g. extended area services in remoter locations) is also being progressed. Region-by-region transition to the new network by the emergency services is now expected to begin in 2018, following testing and assurance work, and to conclude in 2020. Contingency planning is also underway, to allow for extension of the Airwave system (ownership of which transferred to Motorola early in 2016) in the event of delay to transition.

## DIGITAL

Telecoms is a reserved matter which means it remains the responsibility of the UK Parliament. However, the central importance of good quality digital connectivity to Scotland's economy has meant that it is an area where the Scottish Government has had to become increasingly active, investing funding to enhance Scotland's digital infrastructure.

Our Digital Scotland Superfast Broadband (DSSB) programme is delivering over £400 million investment to drive broadband coverage right across Scotland and will extend fibre access to at least 95% of premises by the end of 2017. Without our investment, only 66% of premises would have been reached, with as little as 21% coverage across the Highlands and no coverage at all in Orkney, Shetland and the Western Isles.

The DSSB programme is delivering at pace and having a huge impact. By the end of January 2017, the programme had connected over 700,000 premises. Audit Scotland reviewed the programme in 2016 and concluded that we are on track to meet our coverage targets, with more premises than initially planned able to access superfast speeds – 87% against an initial estimate of 77%. Ofcom also highlighted that superfast broadband coverage in Scotland increased by 14% over the last 12 months – the largest increase of any of the UK nations.

Crucially, we will go further. The Scottish Government is committed to extending superfast broadband access to every premise in Scotland by 2021. We will launch new procurement activity later in 2017 to deliver new public investment, focused on bringing superfast broadband to the hardest to reach premises – those that won't benefit from the Digital Scotland programme.

Achieving 100% superfast broadband coverage will support rural development and enable innovation and growth across the economy.

Improving mobile coverage across Scotland – extending access to 4G services while laying the groundwork for future 5G deployment – is also a priority for the Scottish Government. In 2016, we agreed an action plan with the four UK mobile operators – the only one of its kind in the UK – aimed at improving coverage. We are now working with industry, supported by the Scottish Futures Trust, to develop options for an infill programme, to help fill 4G coverage gaps.

The Scottish Government's draft budget confirmed that up to £112 million will be invested during 2017-18 to improve digital infrastructure across Scotland. This is the first of a multi-year investment plan to deliver our digital ambitions. The funding will support the final phases of the DSSB programme and enable new activity to begin on the Reaching 100% programme and mobile infill.

## ENERGY

Over the course of 2016 there has been several announcements that relate to accelerating investment in and delivery of community energy and low carbon infrastructure projects.

The Renewable Energy Investment Fund (REIF) is managed by the Scottish Investment Bank within Scottish Enterprise and prioritises investment in community renewables and marine energy. To date (December 2012- January 2017), £59.3 million has been invested in:

- 13 community-owned wind and hydro schemes, mainly in the Highlands and Islands;
- 5 community investments in commercial wind farms;
- 11 marine energy projects; and
- 3 'other' projects (innovative offshore wind, innovative onshore wind and heat, and a small-scale wind turbine manufacturer).

Support for community energy has been particularly important with REIF filling a market gap for significant community projects. The original concept for REIF was to maximise funds for the private sector, and to date REIF has levered in £133.9 million from an investment of £59.3 million.

Atlantis Resources, developer of the MeyGen tidal array project, has successfully installed four turbines in the Pentland Firth and Edinburgh firm Nova Innovation has installed three tidal turbines off the coast of Shetland. Scottish Government support was instrumental in helping both projects reach these important milestones.

We established Wave Energy Scotland (WES) at the end of 2014. WES is funded by the Scottish Government and delivered by Highlands and Islands Enterprise (HIE). It funds the development of disruptive technologies that will improve the performance and cost effectiveness of wave energy devices. WES has so far provided £15 million of funding to 36 projects and will soon launch its fourth funding call (April 2017).

One of the key themes of our draft Energy Strategy is a more localised approach to energy provision, helping to tackle some of our most pressing issues – from fuel poverty, to security of supply, to increasing costs – and stimulate local economic renewal. We want to ensure that communities will be at the heart of this new approach. Through the Local Energy Challenge Fund (LECF) £20 million of capital funding was offered 2015-16, to support community-led, collaborative projects demonstrating low carbon technology as part of a local energy system. Collaborations were encouraged from range of bodies, such as local authorities, universities, housing associations, private sector companies, community groups and co-ops with four projects offered capital funding:

- Orkney Surf and Turf;
- EastHeat;
- Levenmouth Community Energy Project; and
- Assisting Communities Connect to Electrical Sustainable Sources.

The successful projects are at the cutting edge of innovation, and fit with our drive to create an energy policy focusing on a holistic, local energy system, which could stimulate economic renewal.

£35 million has been made available through CARES (Community and Renewable Energy Scheme) since 2013 to support community and local energy including £31 million for the Local Energy Challenge Fund. CARES has supported nearly 600 operational community and locally owned projects since 2013, of which 265 were community schemes. The Local Energy Challenge fund currently supports 12 large-scale low carbon demonstrator projects which show a local energy economy approach linking energy generation to energy use.

Scotland's Energy Efficiency Programme (SEEP) seeks to make Scotland's building warmer and easier to heat, as well as reducing their impact on the environment. SEEP is a key part of Scotland's draft Energy Strategy, and our efforts to tackle Climate Change and Fuel Poverty. SEEP's vision and aim is for Scotland's buildings to be near zero carbon by 2050; reducing energy demand and helping to decarbonise the heating of Scotland's built environment in a way that is socially and economically sustainable. The programme objectives are by 2032:

- 94% of non-domestic and 80% of domestic buildings' heat is supplied using low carbon heat technologies; and
- improvements to the fabric of non-domestic and domestic buildings results in a heat demand reduction of 10% and 6% respectively.

Between now and 2025, SEEP concentrates on energy demand reduction through improved energy efficiency; and pursuit of low regrets options for decarbonisation of heat to prevent creation of stranded assets i.e. focusing on off gas grid properties considering individual and communal renewable technology solutions such as heat pumps, biomass boilers and efficient electric of heating technologies.

Beyond 2025 we will see a rapid decarbonisation of heat to those properties connected to the gas grid. We are working closely with partners, including the UK Government to develop a detailed understanding of the options for repurposing the gas grid (hydrogen or biofuels as replacement to natural gas); and for electrification of heat.

The Scottish Government is now consulting on the design and delivery of the SEEP and on the role of Local Heat and Energy Efficiency Plans as part of its consultation on the draft energy strategy.

The Scottish Government is supporting local authorities to pilot and test innovative approaches to the delivery of energy efficiency and lower carbon heat technologies. The Scottish Government is investing over £9 million in local authority pilots to support the development of SEEP in 2016-17, and recently announced that a further £11 million is being made available to support pilots in 2017-18. This investment will help to demonstrate the most effective ways of delivering an integrated programme in order to roll out SEEP from 2018.

## **Low Carbon Infrastructure Transition Programme (LCITP)**

In March 2015 the £76 million Low Carbon Infrastructure Transition Programme (LCITP) supported by European Structural Funds was launched to support Scotland's accelerated transition to a low carbon economy. LCITP is a Scotland wide, cross-sector project development unit, to support the development and acceleration of over 200 low carbon infrastructure projects by the end of 2018, with 49 projects receiving financial support at November 2016.

The programme is supported by an innovative delivery model, a working partnership between Scottish Government, Scottish Enterprise, Highlands & Islands Enterprise, Scottish Futures Trust and Resource Efficient Scotland. This has resulted in a streamlined offer to projects where they benefit from the experience of a number of Government Agencies through one clear defined route and process. The intervention continues to focus on supporting the development investment grade business cases, which will assist projects to secure existing streams of public and private capital finance.

The programme has also supported a number of open funding invitations for the demonstration of innovative system design and technologies. Through the 2016 Transformational Low Carbon Demonstrator Funding Invitation it was recently announced that 13 projects would be offered up to £50 million to support the delivery of low carbon energy projects across Scotland by September 2018.

## **Carbon Capture Storage (CCS)**

Scottish Government policies view the development of CCS systems as an important part of our decarbonisation infrastructure with the flexibility to adapt over time to play a central role across the decarbonisation strategies of key sectors such as heat, industry and power.

We are not alone in pursuing CCS, there are sixteen large CCS demonstration plants operating throughout the world including Norway's Sleipner project which has been operating for twenty years and has stored 17 million tonnes of CO<sub>2</sub> deep beneath the Norwegian North Sea.

The UK Government have committed to the development of a new policy framework for CCS and we will work with UK Government to encourage that and look for Scotland to host any future investment including demonstration projects.

Meanwhile, the Scottish Government has provided joint funding of £4.2 million (£2.5 million from Scottish Government and £1.7 million from the UK Government) to allow the Summit Power Group to undertake substantial industrial research and feasibility studies for their proposed CCS Clean Energy Project in Grangemouth. The work is due to conclude in August 2017.

A successful oil and gas sector is a key component in the transition to a more resource efficient, lower carbon economy. Whilst this sector is currently facing a range of challenges, it continues to support employment opportunity across

Scotland. At this challenging time, it is essential the correct policy framework is in place to support continued capital investment in the sector.

The Scottish Government has also directed funding towards decommissioning. HIE approved £628,000 to Peterson and a further £1,195,000 to Lerwick Port Authority, including £324,416 through the European Regional Development Fund (ERDF). Lerwick Port authority has also been awarded £1.2 million from the Scottish Government. Peterson has also been awarded £1.1 million of Regional Selective Assistance (RSA), from by Scottish Enterprise.

## **WATER**

On the 1 April 2015, Scottish Water began to deliver the investment requirements for the 2015-21 period as directed by Minister on the 1 October 2014<sup>1</sup>. The Outputs Monitoring Group is carefully monitoring the delivery of the improvements in line with Scottish Waters delivery plan<sup>2</sup> and quarterly reports are published on the Scottish Governments website.

In the current regulatory period 2015-21, Scottish Water will invest £3.6 billion in Scotland's water and wastewater services. Scottish Water reported for the financial year 2015-16 that £479 million capital investment has been made and in doing so had delivered a significant contribution towards a number of the Government's key strategic objectives. This investment enabled it to: deliver better services to customers; improve drinking water quality; provide additional capacity to meet the demands of new housing; reduce leakage; and protect Scotland's environment.

Examples of improvements are:

- leakage has been reduced by a further 44 million litres a day. Overall leakage is half what it was in 2006;
- levels of customer service is now amongst the best in the UK; in 2009-10, Scottish Water ranked amongst the worst;
- environmental compliance has improved significantly over the last five years with significant reductions in numbers of pollution incidents. In 2015-16 there were 257 pollution incidents compared to 939 in 2009-10;
- drinking water quality has improved steadily. In 2015-16, 99.93% of the 318,000 samples taken met strict quality standards; and
- Scottish water procurement procedures were described as world class by the Chartered Institute of Procurement and Supply and they gained Platinum accreditation status.

### **Investment Pipeline**

Scottish Water's investment programme is defined and funded for the period 2015-21. The investment programme is set out in the form of Ministerial Directions and a supporting Technical Expression in the form of a list of outputs.

Scottish Water's Delivery Plan sets out how Scottish Water intends to deliver the investment over the five year period. The current period ends on 31 March 2021.

The Strategic Review of Charges undertaken by the Water Industry Commission for Scotland was completed on 20 November 2014 when it published its Final

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<sup>1</sup> [www.gov.scot/Resource/0045/00459867.pdf](http://www.gov.scot/Resource/0045/00459867.pdf)

<sup>2</sup> [www.scottishwater.co.uk/assets/about%20us/files/delivery%20plan/swdp2015to21.pdf](http://www.scottishwater.co.uk/assets/about%20us/files/delivery%20plan/swdp2015to21.pdf)

Determination of Charges<sup>3</sup>. This determined the amount that customers need to pay in order deliver the necessary improvements to services. It confirmed the agreement that the Customer Forum<sup>4</sup> had negotiated with Scottish Water on behalf of customers on prices and levels of service represents the lowest overall reasonable cost for customers. The agreement concluded that household charges should not rise by more than the Consumer Prices Index less 1.8% over the six-year period.

The 2015-21 investment plan contains many thousands of projects. Key projects to be delivered in the 2015-21 include:

- major upgrades to Glasgow's sewerage networks including the 3.1 mile long Shieldhall tunnel and Wastewater Treatment Works at Daldowie and Dalmarnock Wastewater Treatment Works part of £250 million 5 year programme; and
- improvements to drinking water quality in Ayrshire including the construction of a new 30 mile long water main.

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<sup>3</sup> [www.watercommission.co.uk/UserFiles/Documents/Final%20Determination%20-%20Final.pdf](http://www.watercommission.co.uk/UserFiles/Documents/Final%20Determination%20-%20Final.pdf)

<sup>4</sup> [www.customerforum.org.uk/](http://www.customerforum.org.uk/)

## RURAL ECONOMY AND THE ENVIRONMENT

### Rural Economy

- Since October 2011 approximately £240 million has been invested through the Scotland Rural Development Programme (SRDP) as capital grants for Rural Priorities, Land Managers Options, Agri-environment Climate Scheme, Forestry Grant Scheme, New Entrants Capital and Start Up Grants, Young Farmers Start Up Grant Crofting Counties Agricultural Grants and Food Processing, Cooperation and Marketing.
- The AFRC Futures Programme (Agriculture, Food and Rural Communities) was initiated in 2012 as an ICT enabled business transformation programme to re-engineer the business and IT processes which underpin the delivery of rural payments and inspections. This encompassed a new Rural & Payments Services (RP&S) IT platform for the implementation and management of the Common Agricultural Policy (CAP) from January 2015. Programme delivery has been significantly challenged to the extent that the core focus over the last two years has been delivery of the basic requirements to enable compliance with the CAP rather than the original wider business transformation. The new CAP introduced the most substantive change witnessed in the last 25 years with increased complexity in the regulations.
- The Futures Programme will end on 31 March 2017 and arrangements are in place to finish three projects - Scheme and Customer Account Management System (SACAMS), Land Parcel Information System (LPIS) and Claims to Payment (C2P). These are all within the scope and financial envelope of Futures, but will not have finished by the date the programme is due to end. As part of transition activities and programme close down, arrangements are also in place for on-going maintenance and development of the core RP&S system.
- Total expenditure on completing the scope of the Futures Programme remains within the £178 million budgetary ceiling. The new system will process around £3.9 billion worth of payments (Direct Payments and SRDP) over the 6 years of the new CAP.
- As part of our efforts to support rural communities we are also putting in place new IT processes to ensure delivery of funding opportunities under the EU's LEADER programme, thereby enhancing local areas by providing easier access to potential resource for grass roots organisations. The IT programme is being delivered in phases with the external facing elements prioritised. Currently the application and claims phases have been released. The remaining phases are scheduled for release by Autumn 2017.

## **Economic Development**

- We are directly supporting a variety of capital investment projects within food and drink businesses across Scotland via the Food Processing Marketing and Cooperation grant scheme, where over £70 million of investment is envisaged between 2014 and 2020.
- To drive the transition towards a low carbon, resilient circular economy, we set our priorities for action in our circular economy strategy Making Things Last published in February 2016, which focuses on key areas including energy infrastructure, construction and buildings, remanufacturing, food and drink and the bioeconomy. Support for a more circular economy, including the actions in Scotland's Manufacturing Action Plan, is provided through £70 million of funding, including £30 million of EU Structural Funds. The Circular Economy Investment Fund is now up and running and has a pipeline of projects in place to support innovation and the development of new business models in SMEs.

## **Environment**

- The local authority capital settlement includes £42 million identified as being available for flood protection schemes. The First Minister announced a 10 year funding approach, agreed with COSLA, in July 2016.

## HOUSING

We want everyone in Scotland to live in affordable, quality homes that meet their needs. This is central to building and sustaining a fairer and more prosperous Scotland.

Scotland has a strong record in housing delivery. Over 2011-16, we exceeded our 30,000 affordable homes target. To end March 2016, a total of 33,490 affordable homes were delivered, 22,523 of these homes were for social rent, including 5,992 council homes. Building on this success, we and our partners want more homes delivered across all tenures.

During the current Parliamentary term, 2016-21, our target is to deliver more than 50,000 affordable homes, backed by investment of over £3 billion. We have listened to our partners and will continue to work with them closely to deliver *More Homes Scotland* - an overarching approach to support the increase in the supply of homes across all tenures. Key elements are:

- For 2016-17, the Housing Supply budget has been set at £690 million. This includes investment of £365 million grant funding in the Affordable Housing Supply Programme and represents a 42% increase on the previous year. For 2017-18, the overall Housing Supply budget has been set at £699.704. This includes investment of £375 million grant funding in the Affordable Housing Supply Programme – a £10 million increase on the equivalent 2016-17 figure.
- The target to deliver more than 50,000 affordable homes will support approximately 14,000 full-time equivalent jobs a year in the construction and related industries in Scotland and will generate around £9 billion of economic activity over the 5-year life of the programme.
- In January 2016 we announced an increase in housing grant subsidies by up to £14,000 for social and affordable homes. This is helping councils and housing associations to maintain momentum to help deliver the 50,000 affordable homes target.
- We have put in place a programme, now underway, to *Achieve Excellence in Housing Development* to help build the capability of the affordable housing sector to ensure best value and deliver the widest benefits possible from the increased housing investment.
- In 2016-17 we made available £160 million to help up to 5,000 people access homeownership. £70 million has been allocated to the Open Market Shared Equity scheme to help up to 2,000 first time buyers on low to moderate income and £80 million was allocated to the Help to Buy (Scotland) Affordable New Build and Smaller Developers Schemes to help up to 3,000 first time buyers and existing homeowners buy a new build home.
- Last year we launched a new grant and loan Infrastructure Fund with up to £50 million available for 2016-17. Working with local authorities, this is providing targeted assistance to help unlock strategically important housing sites and

increase the scale of housing delivery. We have awarded loan funding to Grandhome in Aberdeen and grant funding to Glasgow City Council for affordable homes at Maryhill Locks.

- We have invited and progressed assessment of novel Mid-Market Rent proposals which have the potential to deliver large-scale investment and expand the supply of affordable homes. In 2017-2018 we will complete due diligence and agree funding for supportable proposals that will deliver new affordable housing at scale.
- We have followed up our support for the growth of the private rented sector (PRS). A PRS Rental Income Guarantee Scheme, developed with Homes for Scotland and industry specialists through the PRS working party, is currently being finalised.
- We consulted local authorities, Registered Social Landlords and others in 2016 on the resources, skills and expertise they need to help build delivery capacity and to identify where the critical gaps are and how best to fill them. We have supported a Highland Hub to enable strategic engagement between the Scottish Government, local authorities and delivery partners. In 2017-2018 we will provide a central resource to support and advise local authorities on land assembly and Compulsory Purchase Orders to enable housing delivery.

A new £25 million fund was launched in February which will provide an estimated 500 new affordable homes specifically to rural areas across Scotland. Building affordable housing in rural areas presents different challenges compared to urban areas which is why we are ensuring this fund is open to rural interests, including community bodies, private landlords and landowners. We have also introduced a complementary £5 million Islands Housing Fund. Both funds are specifically targeted to increase the supply of affordable housing of all tenures in rural Scotland.

We are maintaining Scotland's leadership in financial innovation and competence, continuing to work creatively with our partners and use innovative ways to deliver more new homes across all tenures for less public investment. The creative use of government guarantees, loans, grant recycling and new sources of private funding is supporting the delivery of approaching 5,000 new affordable homes and generating up to £650 million of housing investment in addition to our conventional funding routes.

We are the first, and remain the only, national government in the UK and public sector body in Scotland to invest in Charitable Bonds, a form of ethical investment which creates loan finance to fund affordable housing, and generates charitable donations. Investment spend for the financial year 2016-2017 totals £32.3 million, generating grant of £8.44 million. Total spend on the CB programme is now just under £70 million, supporting the delivery of approaching 1000 homes.

We are committed to a wide-ranging review of the planning system, with a focus on improving the effectiveness of planning processes that support the delivery of good quality housing developments. After the current planning consultation closes on 4 April 2017, we will analyse the responses and provide an update in summer 2017.

We will consider the planning delivery advice in light of the outcomes from the consultation. We expect to bring a Planning Bill to Parliament in late 2017.

## **Fuel poverty**

Last year, we published the Fairer Scotland Action Plan, which at its heart featured 50 concrete actions for this parliamentary term to help build a better country – tackling poverty and inequalities. We believe that eradicating fuel poverty is crucial to making Scotland fairer, and have set out a clear ambition to ensure everyone has a warm home that is affordable to heat. Achieving this will go a long way to ending fuel poverty in Scotland.

Latest statistics indicate that almost 100,000 fewer households were in fuel poverty in 2015 compared to the previous year, and whilst this is welcome news, we know there is much more work to be done.

Tackling fuel poverty has always been a priority for this government. We have allocated over £650 million since 2009 and we will make available half a billion pounds over the next four years to tackle fuel poverty and improve energy efficiency. This includes allocating £114 million in 2017-18. This means, by the end of 2021 we will have committed over £1 billion to making our homes and buildings warmer and cheaper to heat. Our commitment to this significant investment will be used to build on the 1 million energy efficiency measures already delivered to over 1 million households since 2008. These measures were installed either directly funded by Scottish Government schemes or supported by the broader enabling environment created through our Home Energy Efficiency Programmes for Scotland.

As in previous years, the majority of Scottish Government budget for fuel poverty and energy efficiency programmes is allocated to the Home Energy Efficiency Programmes for Scotland (HEEPS) Area Based Schemes (HEEPS: ABS). Area Based Schemes are delivered by local authorities and prioritise fuel poor areas, providing a range of insulation measures. In addition, our national fuel poverty scheme, HEEPS Warmer Homes Scotland, offers insulation and heating measures to vulnerable private sector households to improve the energy efficiency of homes across Scotland. For owner occupiers and registered private sector or registered social landlords we also make available interest-free loans through the HEEPS Loan Scheme.

Our record investment is reflected in the big improvements in the energy efficiency of Scotland's housing. The share of the most energy efficient dwellings (rated C or above) increased by 74% since 2010 and we now have proportionately 29% more homes with EPC rating C or above than England.

## REGENERATION

Regeneration policy delivers inclusive growth, by supporting interventions which respond to local circumstances, addressing market failure and increasing opportunities to attract investment and jobs to disadvantaged and fragile areas, contributing to community and regional cohesion.

We invested £56 million towards regeneration activities in 2016-17, with a further £55 million to be invested in 2017-18.

The key elements of the Regeneration Strategy are:

- tackling area-based deprivation by reforming how mainstream resources are used and working together more effectively;
- a focus on community-led regeneration; and
- realising the economic potential of Scotland's communities through focused funding and other support mechanisms.

Key funding measures across 2016-17 and 2017-18 include:

- The Scottish Partnership for Regeneration in Urban Centres (SPRUCE) fund which initially invested £50 million in loan form in regeneration and energy efficiency schemes across Scotland. Those loans are now being repaid, some ahead of time, with the receipts being recycled and used to deliver further regeneration projects. Ministers have made additional £15 million Financial Transactions monies available to SPRUCE in 2016-17 for projects that are led by the Private Sector and will deliver significant regeneration outcomes.
- The £25 million per annum Regeneration Capital Grant Fund, developed in partnership with Convention of Scottish Local Authorities (COSLA), provides support to deliver large-scale improvements to deprived areas, focussing on projects that engage and involve local communities and can deliver sustainable physical, social and economic regeneration outcomes.
- £17.7 million to tackle vacant and derelict land through the Vacant and Derelict Land Fund, which is intended to stimulate economic growth and job creation, with a focus on temporary and permanent greening, whilst supporting communities to flourish and tackle inequalities.
- £40 million for the family of Empowering Communities Funds, reinforcing the Scottish Government's commitment to continued funding alignment. The bulk of this funding is used to support hundreds of community organisations through programmes such as the People and Communities Fund, Strengthening Communities Programme, the Community Ownership Support Service, and work with the Coalfields Regeneration Trust.
- The £18.9 million Aspiring Communities Fund, running from Winter 2016 to December 2018, will support applications from eligible community bodies to accelerate the design and delivery of sustainable community-led initiatives to tackle poverty, inequality and exclusion.

Progress since 2008 includes:

- Over £483 million directly invested in regeneration including activity in 2017-18.
- The SPRUCE, Scotland's £50 million Joint European Support for Sustainable Investment in City Areas (JESSICA) investment loan fund, was launched on 12 December 2011. With the entire amount invested and early loans starting to be repaid, we are now recycling monies into further regeneration projects. An additional £15 million in Financial Transactions has been added to the fund which has contributed to the nine infrastructure projects supported to date. Recent estimates indicate SPRUCE will lever in an additional £158 million in private funding, creating 4,750 jobs.
- Over £230 million invested in Urban Regeneration Companies (URCs). The following outputs have been delivered up to March 2016: over 140,000 square metres of new or refurbished business space; over 8,200 jobs created or retained and over 1,700 training places; over 228 hectares of vacant and derelict land remediated or developed; over 2200 houses and 2 primary schools built. In addition, over £500 million of direct and indirect private sector investment has been generated on the back of public sector investment.
- Since 2014, the Regeneration Capital Grant Fund has invested in 66 projects in disadvantaged areas across Scotland. These are anticipated to support or create more than 3000 jobs, refurbish/bring back in to use 75 buildings, including a number of historic buildings, create more than 55,000 sqm of business space and support numerous community facilities.
- Over £100 million provided from the Vacant and Derelict Land Fund to tackle long term vacant and derelict land in five local authority areas.
- Town Centre Regeneration Fund: £60 million of funding provided to town centres across Scotland in 2009-10 to deliver a range of regeneration outcomes.
- In 2015-16 21 community organisations were supported to deliver innovative town centre initiatives across Scotland through the £1.7 million Town Centre Communities Capital Fund.
- The Town Centre First Principle developed in partnership with COSLA and local government, calls on central government, local authorities, communities and the wider public sector to put town centres at the heart of decision-making process.
- £2.75 million in 2015-16 through the Town Centre Housing Fund to support a range of demonstration projects to test how empty town centre properties can be brought back into use for affordable housing.



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