

# Business Plan 2013-2014

March 2013





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This Business Plan covers the year from  
April 2013 to March 2014.

*Front cover:* Construction underway at the  
Wester Hailes Healthy Living Centre.

*Inside front and back cover:* Pupils at  
Haddington Infants and St Mary's RC  
Primary School, East Lothian.

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# 1.0 Executive Summary

The 2013-2014 Business Plan outlines activity to be undertaken by SFT to achieve key operational objectives in the financial year, 1 April 2013 to 31 March 2014.

SFT continues to operate at arms-length to the Scottish Government with its core aim remaining as, 'improving value-for-money in infrastructure investment'.

The publication of SFT's annual benefit statement, which last year set out £131m of savings and benefits secured, will continue this year. The statement, validated by Grant Thornton and the London School of Economics, will continue to be expanded to demonstrate the wider benefits of SFT's work in areas such as carbon reduction, jobs and training. More importantly the practical evidence of the benefits can already be seen, including: homes built and occupied under the SFT led National Housing Trust; careful management of the Scotland's Schools for the Future programme allowing new schools to be built for an additional 12,000 children within the original budget; and Inverness College proceeding through procurement in half the time of the national average.

SFT has achieved much in the last year but these are challenging times. UK-wide reductions in capital spending, constraints on bank lending together with low growth in the economy have combined to reduce public and private sector demand for construction projects. SFT has a key role in responding to this challenge. Using innovative financing to achieve additional sustainable investment over and above that allowed by capital budgets will continue to be SFT's key focus for 2013-2014. This will be achieved through three main areas: Non-Profit Distributing (NPD) programme; National Housing Trust (NHT); and Tax Incremental Financing (TIF).

The £2.58bn NPD programme finances the construction of schools, colleges, hospitals, health centres and roads over and above capital budgets. This is, in relative terms, one of the biggest programmes of its type in Europe. As of March 2013, the value of NPD projects in procurement stood at £1.7bn, which includes key projects such as the M8 upgrade and the new Royal Hospital for Sick Children in Edinburgh.

Over the next 12 months, developments worth £700m will start construction and by March 2014, the value of projects either under construction or in procurement will be well over £2bn.

Working with local authorities, house builders and the Scottish Government, SFT's NHT initiative has exceeded the 1,000 homes for affordable rent target. Contracts have been signed with 13 developers to build on 24 sites across 10 council areas, and NHT has attracted c.£150m of additional investment into Scotland's construction sector and supported nearly 1,500 jobs.

Building on that progress, a new NHT Council Variant has been successfully piloted with Stirling Council to further increase the number of homes available at affordable rent. For the coming year, SFT will invite involvement from other local authorities in the new variant, as well as operate a further phase of the NHT programme to attract at least £50m of additional investment.

TIF is an innovative SFT-led financing structure that allows future growth to pay for infrastructure that enables the growth to occur. Construction has already started on the first TIF-enabled project at the Buchanan Quarter in Glasgow. TIF's aim is to unlock private sector investment to support economic growth and as such, it is estimated Glasgow City Council's TIF investment of £80m will attract £310m of additional long-term investment from the private sector.

SFT is working with six local authorities on their TIF pilots and over the year all outstanding pilots will gain full approval with construction starting on a number of them. In total, this will attract more than £1.5bn of additional private investment over time and support many thousands of jobs.

These three programmes (NPD, NHT and TIF) totalling more than £3bn of public sector investment will aid future economic growth and support many construction sector jobs. Much work has been done in all the programmes to secure local community benefits and this will continue throughout 2013-2014.

In addition to these investment programmes, SFT's second major priority is to progress the property asset management programme, a major new area for SFT. Formally invited in May 2012 to lead the programme, SFT has established a strong and capable team and significant

progress has already been made. There is a huge opportunity to unlock value by reducing the amount of underutilised space in the public sector, while also supporting the delivery of services in a better way. Working in partnership with the majority of Scotland's public bodies, SFT's efforts are focussed on three key areas: improving surplus property disposal; reducing the office and storage footprint of the public bodies in central government; and working with local authorities, health boards, fire, police and ambulance to seek local collaborative solutions to rationalise their estates. This will help deliver a smarter, greener, leaner and more cost effective property portfolio.

The Scotland-wide hub programme, now valued at over £2bn over 10 years, is accelerating rapidly. Last year, the value of projects under construction totalled £50m. This year that figure will increase to over £400m involving over 40 projects in construction, with most of the work on site awarded to SMEs.

The £1.25bn Scotland's Schools for the Future programme will continue to be driven ahead, delivering 67 schools out of the budget initially planned for 55 schools. This year will see the opening of the first secondary schools, on time and in line with the programme goals. Early partnership approaches in the schools pilot project are now helping to establish wider collaboration between local authorities, and the year ahead will see the initiative accelerate as more secondary schools, funded through the NPD programme, move into procurement.

By 2020, an estimated £1bn will be required to be invested into residual waste projects to help Scotland meet its Zero Waste Plan target. In order to achieve this, SFT is providing local authorities with expertise and support in procuring major waste treatment facilities.

Low carbon and energy efficiency is an emerging and exciting area of work. Early progress was made in 2012-2013 with a substantial build-up of activity at the end of the year which will be carried through this financial year. SFT will focus its attention on three work streams - Street Lighting, Non-Domestic Energy Efficiency and District Heating.

In order to help Scotland's local authorities accelerate the development of energy efficiency through investment proposals in their street lighting estate (estimated to represent 25 per cent of a local authority's energy consumption), SFT published a Street Lighting Toolkit. Continuing to work with East and West Dunbartonshire

Councils on street lighting pilot projects and testing out the new LED technology, SFT will support their pre-procurement business cases with at least one expected to enter procurement by March 2014.

There is potential to invest in a range of low carbon, energy efficient measures in public buildings. SFT is actively involved with a number of stakeholders to better understand the ways in which these could be financed and delivered.

In relation to district heating, SFT is working to progress the development of a practical, public sector approach for district heating as well as develop a plan to facilitate an investment programme which will focus on energy efficiency and other low carbon activities and move to procurement.

Across the operational PPP contract management work stream where annual payments paid for by a large number of Scotland's public bodies are close to £1bn, SFT's specialist team is working to achieve cost-savings. In the coming year, SFT will complete in-depth reviews of six PPP projects and start targeted reviews of a further 10.

The work outlined within this Business Plan sets out the very substantial areas where the SFT teams will apply their skills and expertise over the forthcoming year. Strong progress has been made over the past 12 months with much achieved in developing the partnership approach, embraced by public sector bodies and the construction industry to achieve common goals.

## 2.0 Operations

SFT operates to deliver improved value-for-money on all public sector investment in infrastructure with its aim, as stated in its first Business Plan published in 2009, remaining as:

*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.*

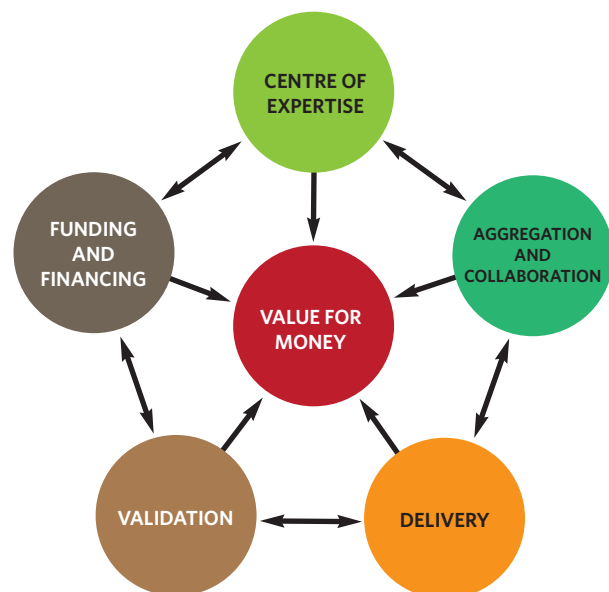
The Scottish Government sets SFT a challenging target to achieve between £100m - £150m of savings and benefits annually across its work in infrastructure investment.

In July 2012, SFT published its third Benefits Statement, announcing that it had delivered £131.4m of net saving and benefits to Scotland arising as a result of SFT's work during the 2011-2012 financial year. These net benefits and savings comprised £84.5m of efficiency gains, £48.2m of additional investment and £3.5m of avoided cost. They also took account of SFT's £4.8m operating costs during that financial year. SFT delivers benefits through collaborative working across the public sector, and the total benefit accrued by these collaborations during the year is around £280m - more than double the value attributed to SFT itself. The Benefits Statement (which is available to download from the SFT website) was independently and externally validated by Grant Thornton LLP and by the London School of Economics and Political Science.

Since the first annual Benefits Statement published in 2010, cumulatively SFT has delivered savings and benefits of more than £371m. The benefits and savings SFT delivers are achieved through the following key areas:

- **Delivery** - where SFT works closely with partners across the public sector on infrastructure development, procurement and delivery. Examples are the NHT programme where SFT acts as a central purchasing body for local authorities and the hub programme where SFT provides the programme delivery office
- **Validation** - delivering health-checks on projects at key stages of their development and procurement to ensure that projects are on the right track to deliver good value for money before proceeding to the next stage

- **Centre of Expertise** - developing innovative approaches to increase the efficiency of new and existing infrastructure and the public estate in general, as well as retaining leading skills within the public sector to lever in additional financing for Scottish infrastructure and develop, procure, finance, manage and dispose of assets more effectively
- **Collaboration** - bringing new approaches to collaboration between public bodies on projects and operations across sectors and regions, such as the hub programme and the new approach to asset management across the local civil estate
- **Funding and Financing** - innovating through the combination of funding and financing sources to deliver additionality of investment, bringing in new sources of finance such as institutional investors and pension funds and getting the best deal for financing that is undertaken



SFT is a commercial organisation, developing and retaining commercial expertise at the heart of the public sector. Whilst operating independently of Scottish Government, SFT is wholly owned by Scottish Ministers and is a company limited by shares, with the shareholder relationship defined in a Management Statement and Financial Memorandum.

SFT's Board has seven members: a non-executive Chairman; four non-executive directors; SFT's Chief Executive and the Director of Finance. Further details of Board members and the Management Statement and Financial Memorandum are available on the SFT website.

SFT's core operational budget for 2013-2014 remains as it was for the previous year at £5.55m. An addition of £800k for work on Low Carbon and Energy Efficiency investment is included in this plan taking the total operational budget to £6.35m, though that addition remains subject to final agreement. The greatest deployment of SFT resources is in asset management, hub, schools, housing, financing and low carbon, which taken together totals around 90 per cent of the budget. SFT's budget is detailed in Section 6.

#### SFT Personnel

As of March 2013, SFT employed 54 staff (a mix of full-time, part-time and those on secondment to SFT) working across five main areas: Accommodation (schools and hub), Infrastructure (transport, waste, low carbon and energy efficiency), Housing, Finance and Asset Management.

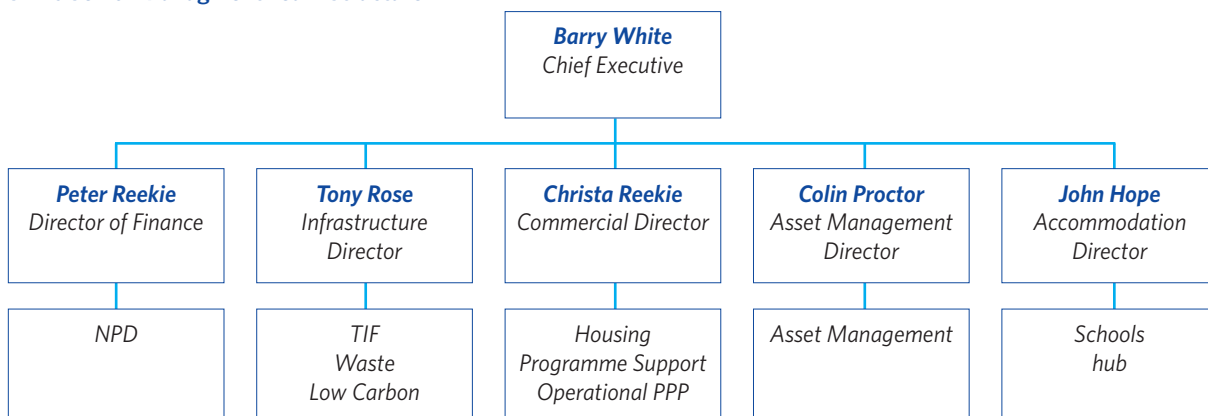
SFT's team of professionals are drawn from public and private sector backgrounds, and have a wide range of technical, legal and financial skills, bringing extensive commercial expertise in infrastructure financing, procurement and delivery into the public sector.

#### Infrastructure

SFT operates from offices on Thistle Street in Edinburgh. The office is arranged to support SFT's agile and mobile way of working. No staff member has an individual office and the space has been arranged to promote collaborative working and informal, as well as formal, meeting settings. A touch-down space is provided for other public sector workers who may find it convenient to work at SFT's office for brief periods and flexible working arrangements amongst staff members are encouraged.

SFT uses public sector framework agreements where possible to meet its procurement needs such as for travel and stationery. In its own procurement of goods and services, SFT seeks wherever possible to encourage local SMEs. Furniture manufactured in the UK is being used to improve collaborative working and SFT's office maintenance, cleaning and IT support are all delivered by local SME companies.

#### SFT's Senior Management Team Structure



## 3.0 Securing Additional Investment

Against a backdrop of subdued economic growth, investment in public infrastructure continues to be an important short-term support to the economy in sustaining activity in the construction sector. It also provides a medium-term boost to growth prospects by stimulating new business activity and bringing greater efficiency to the delivery of public services.

Across the UK public sector capital budgets have been significantly reduced. It is therefore important that other sources of finance are found to deliver key investments in transport, housing, schools, health and regeneration. This investment allows acceleration of these projects that would otherwise have had to wait for a significant time for capital budgets to become available.

The additional sources of finance are appropriate in those sectors where there is a clear source and commitment of funding to make repayments over time. This funding can derive from the users of the new assets, such as rents paid for affordable homes provided through the National Housing Trust (NHT); from additional taxes derived from increased economic activity for example through Tax Incremental Financing (TIF) initiative, or from future public sector revenue budgets, for instance, the Non-Profit Distributing (NPD) programme.

Scotland's NPD investment programme is, in relative terms, one of the biggest of its kind in Europe. The European Investment Bank/EC sponsored European PPP Expertise Centre (EPEC) publishes annual reports covering European activity levels using financial close values in a year as the measurement. Based on their collated figures covering the last three years, France has had the largest programme of revenue financed investment averaging £82 per person per annum. The five next most active countries in Europe had significantly lower levels of activity than France with averages ranging from approximately £12 to £45 per person per annum. Europe as a whole averaged £27 per person per annum.

Using the same measurement as EPEC, the NPD investment programme in Scotland is estimated to achieve an average of more than £150 per person per annum over the three year period 2013 to 2015.

SFT continues to lead a £3.1bn programme of infrastructure over and above public sector capital budgets. A summary of the different financing approaches in different parts of this programme, and the source of funding to repay this finance, are set out below:

Programme	Financing	Funding
NPD	Capped-return risk capital investment by private provider and long-term finance from banks or capital markets	Scottish Government revenue budgets over a 25-30 year contract
TIF	Local authority borrowing from the Public Works Loan Board (PWLB)	Future incremental non-domestic rates
NHT	Local authority borrowing from the PWLB with a Scottish Government guarantee and capped-return equity from the private developer	Mid-market rent paid by property occupiers and eventual sale value



Both TIF and NHT use public sector debt raised by local authorities from the Public Works Loan Board (PWLB), which provides a long-standing means by which local authorities can borrow from the UK Debt Management Office. The UK Government charges a premium over gilts for this finance, although the cost of this premium was reduced to 0.8 per cent during 2012 for those local authorities that confirm annually their future borrowing plans to HM Treasury and follow the Chartered Institute of Public Finance and Accountancy Prudential Code (currently all 32 Scottish local authorities have fulfilled this requirement). The cost of this finance is considered to be affordable for both these programmes and is expected to remain available.

The NPD programme, including hub Design, Build, Finance and Maintain (DBFM) projects, requires medium or long-term risk capital investment from the private sector investors for a capped return. There is a strong bidding market and, to date, the levels of returns bid by investors across the NPD and hub programmes have been lower than previous benchmarks and demonstrate that improved value is being delivered through these new procurement routes.

In addition to risk capital, the major part of the financing of NPD and hub DBFM projects comes in the form of 'senior' debt, which has a first call on the free cash flows within a project and generally makes up around 90 per cent of the required investment. Historically this long-term finance has been provided by commercial banks, but for regulatory and liquidity reasons fewer banks will be in a position to provide long-term finance. SFT is therefore engaging with institutional investors (pension funds and insurance companies) and the European Investment Bank regarding the provision of long-term senior financing. In Scotland and elsewhere in Europe, innovation in shaping finance packages for projects is part of the new normal way of doing business.

*“Equitix invest in infrastructure on behalf of pension funds throughout the UK. This includes projects where procurement has been managed by the SFT in the Scottish market, where we have found that the procurement timeline and resultant cost has compared favourably with other parts of the UK, which we believe to be the result of an efficient and concise competition.*”

*“This is attractive to us and helps in our objective of delivering value for money to the public sector partner.”*

**Geoff Jackson**, Chief Executive Officer, Equitix

Additional investment into infrastructure can also be sourced from the proceeds of disposing of surplus properties. SFT is working with a significant number of public bodies to assist them in identifying surplus assets and maximising their disposal value. For further details of this work see Section 5.1.

## 4.0 Sustainability

As reported in SFT's 2011-2012 Benefits Statement published in July 2012, SFT delivers substantial benefits to its stakeholders and the wider Scottish society in terms of economic and environmental sustainability as well as ensuring future generations benefit. Whilst such benefits cannot easily be given a monetary value, in the majority of cases they are at least as important as that quantified as purely financial, in that in the longer-term, and more broadly, sustainable growth is provided.

### Sustainable economic growth

Taken together, SFT's NPD, TIF and NHT programmes total £3.1bn of additional investment over and above current capital funded budgets. Having one of the largest investment programmes of its type to be seen anywhere across Europe, SFT is playing an important role in developing the economic environment in which such a wide-ranging and comprehensive investment programme can be implemented successfully. Vitality, what these programmes help deliver are infrastructure projects as soon as they are ready, instead of them being delayed until traditional capital funding becomes available which, in the current economic climate, could be years away.

### Supporting sustainability and the environment

Sustainability in its widest sense is a key driver for SFT when developing infrastructure and delivery solutions. SFT aims to ensure that economic, environmental and social sustainability are addressed in the early stages of project development, so that:

- They are an inherent part of procurement and delivery to facilitate sustainable economic growth, locally and nationally
- Adverse environmental impact is minimised
- The development of sustainable communities is enhanced

The positive impact of high-quality sustainable design will be supported by SFT at all stages of procurement through to delivery. In support of this, SFT signed up to the Scottish Public Bodies Sustainability Reporting Standards and the Zero Waste Scotland Halving Waste to Landfill Construction Commitments.

### Jobs

In a sector where the Gross Value Add per employee is significantly higher than the national average, public spending on construction helps maintain employment and delivers a 'greater' benefit. In the face of falling capital budgets, the £3.1bn of additional revenue finance investment will help offset the decline in capital funded budgets and protect jobs in the construction industry.

Using the conservative multiplier of £1m of capital investment in the construction industry supporting 14 jobs, the £3.1bn of additional investment over a five year period will support over 8,000 jobs throughout that period across Scotland. All TIF projects are targeted to support local economic growth by putting in enabling infrastructure in order to attract private investment worth many times the amount spent by the public sector. TIF in the long-term is projected to support some 10,000 jobs.

### Training

The Scotland-wide hub programme includes firm requirements and key performance indicators for delivering training opportunities in each of the five hub territories. Providing such opportunities forms part of each hubCo's continuous improvement programme and detailed method statements set out how the hubCos will deliver the level of training required for each new project. Each stand alone NPD procurement includes a community benefit clause seeking commitment to training and development.

### Knowledge

Sharing skills and experience is an important objective for SFT and the organisation seeks opportunities to broker exchanges between bodies with a broad range of recent relevant experience. It is particularly important that taking a central role on a significant infrastructure project is not a 'once in a career' experience for public body employees.

### Communities

Improved outcomes for communities are achieved not just by the projects themselves, but by the way in which they are delivered.

Completed projects have: allowed public services to be delivered to communities in a more joined up way with health and social care co-locating in many hub projects; teaching and learning delivered in new and uplifting schools through the schools' programme; and delivered affordable housing in high-cost housing areas to allow individuals and families to continue to live in their communities.

The delivery of projects increasingly involves communities as stakeholders, and local employment opportunities to SMEs in supply chains are included as a key performance indicator in the hub programme. As an example, at Lasswade Community High School (currently under construction) nearly £8m of construction work was awarded to firms with a Midlothian postcode and 93 per cent of the construction value was spent within a 50 mile radius of the school.



## 5.0 Work Streams

SFT works across a wide and diverse range of infrastructure programmes, and are as follows.

- 5.1 **Asset Management**
- 5.2 **Housing**
- 5.3 **Non-Profit Distributing**
- 5.4 **hub**
- 5.5 **Schools**
- 5.6 **Tax Incremental Financing**
- 5.7 **Waste**
- 5.8 **Low Carbon and Energy Efficiency**
- 5.9 **Programme Support and Assurance**
- 5.10 **Operational PPP Contract Management**

## 5.1 Asset Management

In May 2012, SFT was invited to undertake a programme of enhanced property asset management by the Cabinet Secretary for Infrastructure and Capital Investment, and since then a new SFT asset management team has been created and a programme board established.

Improving the way assets are managed will make a significant contribution towards the efficient and effective delivery of operational services, while also freeing up financial resources and delivering carbon savings.

Across the Scotland-wide asset management programme, SFT works in partnership with public sector bodies at strategic, operational and delivery levels to help bring about improvements.

The asset management programme has three principal work streams, each at various stages of development:

### **Surplus Property**

SFT is working alongside NHS Boards and several other public bodies to develop a programme approach to surplus property disposals. Adopting this strategic approach is essential given the number of sites becoming surplus to requirements, the variety of potential development opportunities, and the prospect of public bodies collaborating in their disposal activities.

Such an approach is also necessary due to the current state of the development market and funding availability. It will help reduce uncertainty, complexity, time and cost and will improve confidence within the market. Lessons learnt from initial projects are informing how to build better business propositions for the market. Pilot projects with NHS Tayside and NHS Ayrshire & Arran are both due to come to the market as development opportunities during 2013-2014.

## Case Study

### North Ayrshire Community Hospital (NACH), Irvine

SFT is providing support to NHS Ayrshire & Arran in the preparation of a development strategy for nearly ten acres of surplus land adjoining the NACH in Irvine which was declared surplus to requirements.

SFT provides strategic and procurement support to NHS Ayrshire & Arran together with funding (through the Scottish Government Health Directorate enabling fund).

SFT has involved key stakeholders in the process of scoping the required works, in particular Historic Scotland, due to the existence of three listed buildings on the site.

The completion of a master-plan for the surplus land and buildings will allow the site to be brought to the market in a manner that allows developers to better understand the risks and opportunities, and this will enhance the likelihood to secure an earlier and more certain sale than would otherwise have been achieved.

*“NHS Ayrshire and Arran has been working in collaboration with Scottish Futures Trust to produce development strategies for a number of our surplus assets. This has provided us with additional resource and expertise together with enabling funding.*

*“This will allow sites to be taken to the market with a greater degree of certainty for purchasers on the development options and risks. In turn we expect offers to be less conditional and allow us to accelerate sales.”*

**Iain Gairns**, Head of Property Services,  
NHS Ayrshire and Arran

### Central Civil Estate

The central civil estate covers property, mainly offices, owned or leased by the Scottish Government, its agencies and Non Departmental Public Bodies. The initial phase of work to gather relevant property data, undertake pilot projects, build on knowledge gained from similar programmes from across the UK and, based on these, develop strategic options for remodelling the office estate, has been completed.

This work has confirmed the significant opportunity which exists for property to support public sector reform and deliver cashable savings. Through 2013-2014 several reconfiguration projects will be planned and completed to develop the platform for change.

### Local Civil Estate

The local civil estate is the property used by health boards, local authorities, the police service, the fire service and the ambulance service. The asset management programme

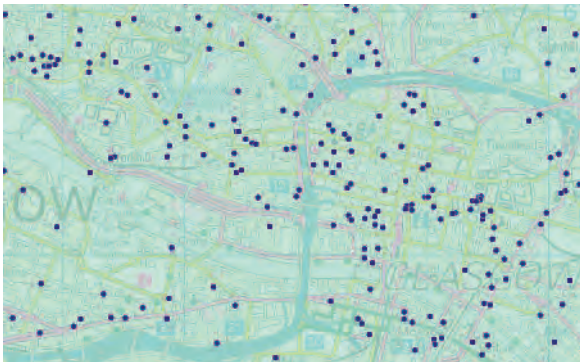
promotes a 'one public sector view' across all public sector property assets with the aim of enabling the delivery of enhanced quality and efficiency of public sector services through a smaller, leaner, greener, more effective and smarter property estate.

Across Scotland, many public sector organisations are already improving the use of their existing property resources and it is the programme's task to capture and build on that success.

A Scotland-wide engagement process has been undertaken involving nearly 70 public sector organisations via a series of 'Diagnostic Reviews'. This has allowed public sector organisations to come together in a regional setting, some for the first time, and in an environment that encourages innovative dialogue, promoting several initiatives for taking forward. Project outputs include co-location opportunities, depot rationalisations, office portfolio rationalisations, and sharing information via the 'e-PIMS Lite' property database.

## 5.1 Asset Management CONTINUED

The development of the ePIMS Lite property database has been a real success for public sector collaboration in Scotland. This is a high-level database that enables SFT to analyse and cross-examine the property holdings of all councils, all NHS Boards and the emergency services in Scotland.



**Above:** Electronic image taken from e-PIMS Lite illustrating the location of buildings used by the public sector in the centre of Glasgow.

Pilot programmes based on an innovative approach to 'place' are underway in Moray, South Ayrshire, Edinburgh and Dumfries & Galloway and these will be developed further through 2013-2014. This work builds on the principles contained in the report of the Christie Commission and is proving to be very beneficial in supporting strategies for community planning partners.

A significant piece of work on offices resulted in the publication by SFT in September 2012 of a report called 'What Can We Do with the Office?' This has proven to be a valuable resource for public bodies considering the remodelling of their office estate.

Further to this, work has begun with four councils (Midlothian, Clackmannanshire, West Dunbartonshire and Renfrewshire) on supporting a bold and exciting collaborative initiative in 'New Ways of Working' and joint procurement.

### Business objectives for the coming year are:

#### Surplus Estate

- Set up the strategic disposals programme
- Develop options on alternative commercial structures for surplus property disposal
- Support public bodies on disposals strategy, site analysis and enabling work to enable the delivery of £25m receipt from asset disposals for 2014-2015 budget

#### Local Estate

- From the Place Based Review pilot projects, develop a suite of tools to support public sector reform initiatives, and other locality based programmes
- Support the collaborative office pilot project to establish a platform for achieving cost savings of at least £20m
- Assist the development of business cases for joint depot projects, encouraging additional collaboration and targeting efficiency savings of at least £10m

#### Central Estate

- Develop and take forward plans for rationalisation of the central civil estate to meet the £28m per annum targeted cost reduction from 2017 onwards
- Bring forward strategic options for office space within key locations
- Develop options for improving the efficiency of storage in the central estate

## Case Study

### Moray Council - 'Place Based Review'

SFT has been working with Moray Council to identify ways to improve service delivery and ensure future investment in physical assets takes place in a strategic and collaborative manner. The 'Place Based Review' initiative is being progressed to facilitate council engagement with a broad spectrum of public sector partners.

Workshops are generating collaborative opportunities; a number of service delivery and asset management work streams have already been identified and are being progressed. The council acknowledges the potential cost efficiencies and improved access to services provided by co-locating with other public bodies, and sees this as being a key vehicle for delivering significant budget savings over the next five years.

*"Moray Council is very pleased at SFT's support in facilitating workshops for the Community Planning Partnership on an area based review approach to planning for the future. Community Planning Partners now intend to use the approach to establish a description of services in 2023. It is anticipated that the new approach will form the bedrock for developing future single outcome agreements.*

*"In parallel to preparing the description of services for 2023, more detailed project streams are being taken forward to identify future investment plans. SFT's assistance fits very well with recent Scottish Government guidance on a more central role for community planning in deciding how and where investment decisions are delivered."*

**Mark Palmer**, Corporate Director (corporate services) Moray Council

## 5.2 Housing

*“NHT has given us an opportunity to finish stalled developments and importantly given us the confidence to open new sites for development.”*

**John Low**, Managing Director of Stewart Milne Homes, North Scotland

From what was an initial concept only three years ago, today, SFT's National Housing Trust (NHT) initiative is already attracting over c.£150m of additional investment through the construction of over 1,000 new homes which is helping protect or create nearly 1,500 jobs.

Given the challenges facing public sector budgets, innovation in the delivery of public infrastructure such as the NHT initiative, is vital to unlocking future development and boosting economic growth.

NHT was devised to increase the supply of homes for affordable rent, whereby a local authority appoints a developer to build homes on land the developer owns. Once built, a joint venture is established comprising the developer, the participating local authority and SFT which in turn buys the homes and lets them to tenants at an affordable, mid-market rent.

In January 2012 the first homes were completed and occupied. Today, contracts have been signed for over 1,000 homes to be built on 24 sites across 10 local authority areas with 13 separate developers, ranging from SMEs to large residential house builders.

This means that a thousand homes that would not otherwise have been built are generating over £150m worth of additional investment in local communities and when complete will provide over 2,000 residents with quality, affordable accommodation.

*“We have just completed the first phase of building nearly 190 quality NHT homes across two sites in the heart of Edinburgh. Vivaly, SFT's NHT programme is providing a lifeline to the many hundreds of people in the capital looking for affordable homes to rent. Such is the demand for these homes that we received nearly 2,000 enquiries.”*

**Colin Rae**, Places for People Project Director – Scotland

Without SFT, the NHT model would not have been developed and the success of the procurement process during NHT Phases 1 and 2 was dependent upon SFT's active leadership, working in partnership with local authorities, developers and Scottish Government. The NHT model received industry-wide recognition as setting the standard for innovative delivery by winning the 2012 'Best Alternative Deal Structure' in the international Partnerships Awards.

The NHT initiative has been a catalyst for a shift in the affordable housing sector with SFT working in partnership with a variety of public bodies to produce alternative models that are no longer relying on direct subsidy.

In particular, working in close collaboration with Stirling Council, SFT has developed a new variation of the NHT model – the NHT Council Variant. This was conceived, developed and executed by SFT and Stirling Council with Scottish Government acting as guarantor, all within the past 12 months, which will see an additional 175 homes procured and built for affordable rent in Stirling.



*“We are pleased to be involved in helping to successfully deliver SFT’s innovative National Housing Trust programme to provide much needed homes for rent. In these challenging financial times, this initiative opens the doors to build more affordable housing in Clackmannanshire and complements our newly completed Council Housing. This project award allows us to move forward with confidence into 2013 and beyond by securing future workload, allowing further investment in staff training and providing wider sustainable local economic benefits to our supply chains.”*

**Scott Hadden**, Chairman, Hadden Construction



#### **Plans for 2013-2014**

In the year ahead, SFT will seek to run a targeted NHT procurement with councils that already have in-depth experience and knowledge of the NHT initiative. In addition, SFT will focus its efforts on the delivery of new affordable housing formats that are deemed feasible.

#### **Business objectives for the coming year are:**

- Bring 400 more homes through construction into rental stage
- Run an additional targeted NHT procurement for the delivery of a further 300 plus homes
- Expand the NHT Council Variant securing commitment from at least three other local authorities in Scotland
- Consider new options for the delivery of affordable housing across Scotland and take forward those that SFT believes to be deliverable and viable
- Deliver the first homes under the NHT Council Variant

**Left:** NHT homes under construction and complete.

## 5.2 Housing CONTINUED

### Case Study

#### What NHT really means

NHT is important as it provides high-quality homes at affordable rent. It is important also to the construction industry as it supports the delivery of £150m of additional investment in the affordable housing sector, the benefits of which are clearly evident across the communities where homes are being built.

In Aberdeen, house builder Stewart Milne has four separate NHT developments under construction, and in June 2012 the first development at Kingswells was completed with all homes let immediately. The thoughts of key stakeholders as to what NHT means to them, are listed below.

#### The Tenant

Mrs Stella Marshall is a tenant at the new Kingswells development. Previously she was a housing association tenant working in Edinburgh, but was keen to move back to Aberdeen to be close to her family. After reading about, and then applying for, an NHT home in Aberdeen, Stella quickly moved into her brand new Kingswells home in September 2012, which provides her with the perfect location near to her family.

The fact that her daughter, son-in-law and grandchildren live nearby has given her a new lease of life. She explained: "I have been so lucky to get a lovely house here and have nice neighbours. I'm very close to my family and moving to Aberdeen has turned my life around totally."

The NHT scheme has provided a real and effective solution to meeting Stella's needs and in turn has released a property in Edinburgh that will help meet the need of an applicant on a waiting list there.

#### The Developer

John Low, managing director of Stewart Milne Homes North Scotland, explained: "The provision of quality affordable homes is a core commitment of our business. The NHT initiative is widely welcomed as a programme to increase vital housing provision of

affordable housing and supporting the house building industry.

"NHT has given us an opportunity to finish stalled developments and, importantly, given us the confidence to open new sites for development. In the North East, the NHT initiative is already oversubscribed, which is a testament in itself, and feedback has been highly positive. We believe our continued involvement with the initiative demonstrates leadership within the industry and I trust that this successful model can be implemented on an even wider scale."

#### The Local Authority

According to Pete Leonard, director of housing and environment at Aberdeen City Council: "Despite the general economic downturn, Aberdeen has retained a very buoyant property market making it especially difficult for potential first-time buyers or people on lower incomes to access good quality affordable housing.

"NHT has provided Aberdeen with much-needed affordable accommodation and this has meant that we have been able to offer a real option to individuals who do not qualify for social housing but are nevertheless struggling to afford private rent levels, or individuals who are unable to secure a mortgage for the lack of deposit.

"With NHT, tenants have the option of taking part in a saving scheme in order to save towards a deposit for when the homes eventually come to be sold. Even if tenants do not wish to buy their NHT home, they will be financially better placed to pursue other options.

"Working with SFT and Stewart Milne in a real partnership has been critical to the success of the NHT initiative and has given us access to skills and expertise we would not ordinarily possess."



**Above:** NHT homes under construction at the Westercraigs development in Inverness.

**Left:** NHT tenant Mrs Stella Marshall.

## 5.3 Non-Profit Distributing

*“We were very pleased with the streamlined bidding process on the Inverness College project. This will help us get on site quickly with our local supply chain to deliver a first-class facility for students. We are also looking forward to working with SFT on several other financial closes in 2013-2014.”*

**Chris Webster**, Chief Executive, Miller Construction

SFT is leading the £2.58bn NPD programme, in relative terms one of the largest financed investment programmes to be seen anywhere across 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, compared to an 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.

In partnership with Scottish Government, local government, NHS Boards and other public bodies, SFT delivers the revenue funded programme through the Non-Profit Distributing structure, with delivery risks transferred to private sector partners under capped profit arrangements. Scotland has pioneered capped private sector profits of revenue funded projects so that profits properly reflect the risks undertaken and deliver better value for the taxpayer.

Alongside the profit cap, SFT has introduced pragmatic innovations in a simplified contract and reduced the range of services to deliver better value-for-money, faster procurements and increased flexibility to public authorities. Paying for infrastructure from future revenue budgets rather than from increasingly constrained capital funds means that construction can start as soon as projects are ready instead of being deferred until capital budgets become available. In essence this means buildings are built and construction jobs protected.

The £2.58bn programme is made up of larger transport, acute hospital and college projects procured as stand-alone NPD projects as well as a large number of smaller health centre and schools projects delivered through hub. A table at Annex A shows the split of procurement routes.

In December 2011 the first NPD projects, valued at £250m entered procurement. At the end of March 2013, the value of projects in procurement reached £1.7bn, (see table below), and during 2013-2014 projects with a combined value of over £700m will start construction. Procurement is making rapid progress, halving the historic average for projects of this type.

Sector	Projects	Value
Further Education	Inverness College	£47m
	City of Glasgow College	£193m
	Kilmarnock College	£50m
Transport	M8/M73/M74 motorway improvements	£415m
	Aberdeen Western Peripheral Route	£472m
Health	Edinburgh Royal Hospital for Sick Children and Department for Clinical Neurosciences	£155m
	The National Centre for the Scottish National Blood Transfusion Service	£36m
	Ayrshire & Arran Acute Mental Health and North Ayrshire Community Hospital	£48m
hub projects	Schools and Community Health projects	£290m
<b>Total</b>		<b>£1.7bn</b>

Building on lessons learnt from the hub work stream and using guidance commissioned by ConstructionSkills, SFT promotes a consistent community benefits approach across the NPD programme. In addition to establishing appropriate sustainability targets, this involves publishing good practice information and practical templates to capture recruitment and training information, as well as setting Key Performance Indicators which can be monitored by procuring authorities.

SFT encourages project teams to incorporate specific requirements that enable future, measurable, community benefits. Using construction industry guidance, the NPD and hub DBFM programmes should deliver 713 work placements for teenagers aged between 16-19, and 327 new apprentice starts.

SFT acts as a centre of expertise, working across sectors and using lessons learnt from the procuring bodies and the wider market to inform and improve subsequent procurements. In-house project financing expertise has allowed SFT to work closely with procuring bodies to develop bespoke financing strategies for projects in a rapidly changing marketplace. This close engagement delivers the best value financing packages and faster procurement timetables. SFT's work also includes a strong focus through the project validation process on project governance and resourcing, effective delivery and affordability all adding to robust projects that can move rapidly through procurement and deliver value-for-money outcomes.

Using the independent design review process, SFT challenges procuring bodies on delivering efficient designs that meet 'needs not wants.' This has informed the setting of realistic and affordable construction caps to support the long-term affordability of the NPD programme. By centrally managing inflation risk and optimism bias, SFT decreases construction spend creep.

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) and, a consistent approach to embedding sustainability and community benefits in the procurements. Such has been SFT's success in this area that one particular project took only 53 weeks from launch of OJEU to the appointment of preferred bidder (see Inverness College case study).

*"The Scottish Futures Trust is adopting a far more sophisticated approach to public sector procurement. What I mean by that is it is intelligent. It is about driving efficiency from the private and public sector as opposed to arms-length tendering on lowest cost day one without understanding the implications."*

**Ken Gillespie**, Construction Group  
Managing Director, Galliford Try

In the delivery of the NPD programme, SFT uses a consistent approach, providing timely approvals and oversees proper use of the standard form documents to support procuring bodies in preparing for the market and advancing through procurements. The market is kept regularly informed on the NPD programme through publishing a pipeline document on the SFT website.

This close market-management has assisted in delivering strong bidder interest in NPD projects, with all projects attracting healthy competition from market-leading consortia at the prequalification stage.

SFT's close engagement with the European Investment Bank (EIB) has helped facilitate the potential for low-cost funding from EIB on the City of Glasgow College and M8/M73/M74 projects, with further interest in roads and hospital projects being explored. In Scotland, and across the UK, innovative and bespoke approaches to financing projects are part of the 'new normal' way of doing business as pension funds become increasingly involved in project finance given the limited bank capacity for long term lending. SFT is working to attract institutional investment into the NPD programme across a number of different projects.

## 5.3 Non-Profit Distributing CONTINUED

### Education

Across the education sector, SFT's work during 2012-2013 helped lead to the appointment of preferred bidders for the City of Glasgow and Inverness Colleges. Construction of both projects will start in summer 2013, with bidders contractually committed to deliver employment and training places and to provide SMEs with business opportunities. Kilmarnock College is continuing with its competitive dialogue and bidders are on track to deliver robust, affordable bids with the appointment of the preferred bidder in mid 2013. The project is due to reach financial close in September 2013, with construction to start shortly after.

### Transport

SFT sits on the M8/M73/M74 Project Board and provides support on the financing aspects of the project. The OJEU was issued on 30 March 2012 and two bidders have been shortlisted to be taken forward to the final stage of the procurement process, with construction planned to start this financial year.

In October 2012 the Supreme Court dismissed the Judicial Review regarding the planning application for the Aberdeen Western Peripheral Route (AWPR). Subsequently, in January 2013, the OJEU was published. Over the course of the year, bidders will be shortlisted before a preferred bidder is announced in 2014. Similarly, SFT supports this project having a seat on the AWPR Project Board.

### Health

The Royal Hospital for Sick Children and the National Centre for the Scottish National Blood Transfusion Service published their OJEU's in December 2012 with Ayrshire and Arran Acute Mental Health Facility and the North Ayrshire Community Hospital following with their OJEU in January 2013.

The past 12 months also saw the first revenue financed hub health project (Aberdeen Health Village) reach financial close. In addition, a commercial agreement has been reached which will allow the Forres, Tain and Woodside Primary Care project reach financial close in early April 2013.



Above: Plan of the Aberdeen Western Peripheral Route.

### Plans for 2013-2014

SFT will form part of the NPD programme governance arrangements through representation on the Project Boards of all NPD projects. SFT representatives will bring a range of project management and delivery experience to the various Boards, sharing lessons learnt and promoting a programme approach.

In managing the overall NPD pipeline, SFT will undertake a number of actions, including:

- Communicate programme updates regularly to the public and private sectors through the published NPD project pipeline on the SFT website
- Coordinate timely Key Stage Reviews, project approvals and management of changes in collaboration with individual project teams, recognising the number of concurrent projects in procurement during 2013-2014
- Provide challenge and support to procurement teams on meeting target timescales in relation to preferred bidder and financial close dates where appropriate
- Through ongoing engagement with the funding market:
  - promote NPD projects seeking finance
  - determine appetite for lending from banks, EIB and institutional lenders
  - test potential options for hub territory-wide financing solutions

### Business objectives for the coming year are:

- Ensure that £2bn of the £2.58bn of the NPD programme will either be in procurement (on a stand alone basis or under development through hub) or in construction
- Reach financial close on the M8/M73/M74 improvements and all three colleges projects
- Manage the £2.58bn programme within the set affordability limits
- Support Health Boards in achieving their OJEU to preferred bidder target timescales through sharing information, using a standard contract approach, considering optimum timing for funding competitions and providing timely approvals
- Bring Dumfries & Galloway Royal Infirmary and Orkney's Balfour Hospital projects into procurement
- Deliver appropriate financing solutions for hub projects reflecting market conditions and project sizes
- Appoint appropriately experienced individuals into Public Interest Director roles
- Deliver at least BREEAM 'Very Good' for all building projects in the programme
- Provide practical assistance to procuring bodies through use of standard templates to promote delivery of community benefits
- Create Key Performance Indicators in health procurement to enable future capture and monitoring of community benefits as they are delivered
- Support all NPD projects through proactive participation as Project Board member



*Left: Reference design visualisation of the Royal Hospital for Sick Children, Edinburgh.*

## 5.3 Non-Profit Distributing CONTINUED

*Right and below: Artist's impressions of the new Inverness College.*



### Case Study

#### Inverness College appoints Preferred Bidder in record time

When it opens in 2015, the new estate for the £50m Inverness College will provide over 8,500 students with a modern, high-quality and fit-for-purpose learning environment.

Reflecting the dramatic shortening of the procurement timetable that SFT has developed, in an unprecedented 53 weeks from when Inverness College published its OJEU notice, the College appointed a Miller/Equitix consortium as its preferred bidder in December 2012, with plans to reach financial close in April 2013.

From when the contract was published, SFT was actively involved in supporting the College on procurement, commercial, funding and financial matters with the aims of minimising the time and cost of procurement and achieving a value-for-money deal.

Currently, the College is spread across three city sites and will move to a new main campus situated at Beechwood, where it will be the first and largest occupant of a new education and research campus initiative led by Highlands and Islands Enterprise.

The College development at Beechwood will therefore play a key role in delivering wider economic benefits envisaged for the region.

This new campus will create ideal learning and training opportunities for students which the preferred bidder wants to maximise (e.g. construction skills and trades). Miller/Equitix is committed to delivering training and apprenticeships and jobs for new entrants. In addition, the consortium is undertaking to place work packages to SMEs and social enterprises and ensure that these opportunities are clearly advertised.

The new College will deliver substantial operational savings as it moves from three sites to two. By reducing its overall footprint by 30 per cent its achievement of environmental and sustainability objectives will be greatly improved through targeting BREEAM 'Excellent' and EPC B+ ratings along with significant reductions in CO<sub>2</sub> emissions.

Importantly, SFT's Asset Management team is also assisting the College with a strategy for disposing of the existing estate once the new facilities are open.



## 5.4 hub



*“The joint working between NHS Grampian, Aberdeen City Council, SFT and the North hubCo has demonstrated the benefits that a multi agency approach can bring in terms of the delivery of modern infrastructure. The commitment of all partners enabled NHS Grampian to deliver the first hub design, build, finance and maintain contract in Scotland within a tight timescale.*

*“Strong teamwork and a willingness to find solutions to issues as they emerged were key characteristics of this project. We are proud to have been at the forefront of this new delivery model, particularly given the benefits that the Aberdeen Health and Care Village will bring to the patients of Grampian.”*

**Alan Gray**, Director of Finance, NHS Grampian



**Above:** Construction at Wester Hailes Healthy Living Centre.



**Above:** Completed Kirkintilloch Community hub.

The Scotland-wide hub programme reflects a creative approach in the delivery of community-based infrastructure and facilities. Central to its success has been the establishment of collaborative working practices brokered by SFT with all 14 NHS Health Boards, 30 local authorities and 15<sup>1</sup> blue light services in association with a number of other public bodies and private sector development partners.

As part of the asset management agenda, the five Territory Partnerships groupings of public bodies are working together to identify opportunities to reshape public services by the delivery of new joint assets through hub. In November 2012, the hub programme reached a significant milestone, with the appointment of the fifth and final preferred bidder for the remaining hub territory, the South-West. With all five hub companies (hubCos) now operational, the number of construction projects entering the hub pipeline is increasing rapidly. During 2012-2013,

the value of hub projects under construction was over £50m. For the coming year that figure is programmed to jump to over £400m – an eight-fold increase, which will support an estimated 5,500 local jobs in the construction and related industries. And with the announcement of the additional schools to be built under Phase 3 of the Scotland’s Schools for the Future programme, the hub pipeline has increased in value to over £2bn.

It is forecast that when the current pipeline of hub projects are built, they will make a vital contribution to carbon reduction with 27,000 tonnes of CO<sub>2</sub> saved annually. During 2012-2013 four more hub projects were completed and handed over and a further 13 projects started. This increase in activity has delivered a number of major benefits, with a large proportion of the construction work being delivered by SMEs ensuring the protection of local jobs both on the projects and in the wider communities.

<sup>1</sup> The Police and Fire Reform (Scotland) Act 2012 will create a single Police Service Scotland and a single Scottish Fire and Rescue Service in place of the previous eight police forces and fire & rescue services in April 2013.

## 5.4 hub CONTINUED

*“On hub North we are on site in Aberdeen with a new custodial building for Grampian Police and we are working up designs for Wick Community High School and primary schools with Highland Council. This has given us the confidence to expand the practice with a number of new staff being employed since the beginning of the year. Our own particular success in being appointed on several hub projects and the Scotland’s Schools for the Future programme has given us some continuity in our workload through to 2016.*”

*“SFT, the hubCos and local authorities are all willing partners, keen to assist when possible and enable problem solving with minimum bureaucracy and working towards ensuring excellence in design and delivery of the projects.”*

**Professor Gordon Murray**, Director, GMA Ryder, Architects

With so many projects to be delivered, it is essential that SFT works closely with participant bodies, territory teams and hubCos to constantly advise, challenge, share best practice and encourage the speedy and value-for-money delivery of projects. Such has been the success in this area that the affordability cap guidance developed and implemented by SFT has shown examples of projects being delivered with up to a 30 per cent reduction on previously agreed budget levels.

SFT has actively supported the delivery of an accelerated hub programme during 2012-2013. It has encouraged parallel Stage 1 approvals and Stage 2 development in the North Health Centre bundle, thereby taking three months out of the programme and backed the rapid procurement of the Grampian Police Custodial Unit facility which took only nine months from new project request to start of construction.

SFT has also worked with two leading Scottish architects, experts in the healthcare field, to develop a reference health centre design to deliver high-quality, community health facilities based on efficient usage of space and has generated a series of metrics to be used to underpin the standards for future health centre projects across Scotland.

During the year, financial close was reached on hub’s first revenue financed project, the Aberdeen Health Village for NHS Grampian. A commercial agreement has also been reached which will allow the Forres, Tain and Woodside Primary Care project reach financial close in early April 2013, the first collaborative project for both NHS Grampian and NHS Highland.

### **Plans for 2013-2014**

SFT will focus its support to territory participants and hubCos to drive improved value-for-money and support greater collaboration and joint working between participants to encourage shared design and to deliver procurement economies of scale. SFT will work with hubCos and participants to speed up the delivery of projects and work closely with other SFT teams such as Asset Management, to deliver joint working solutions for public sector bodies acquiring new hub facilities.

### **Business objectives for the coming year are:**

- Have over £800m of hub projects either under construction or in development
- Have 40 facilities in construction
- Have 15 facilities handed over and operational
- Monitor the award of work to SMEs and the implementation of community benefit measures
- Achieve financial close on six DBFM projects
- Audit all hub companies and their Tier 1 contractors to check compliance with prompt payment requirements
- Invest over £2m through Scottish Futures Trust Investments in hub projects

## Case Study

### The Forres, Woodside and Tain Primary Care Project

The Forres, Woodside and Tain Primary Care project is a joint initiative comprising three new health facilities for NHS Grampian and NHS Highland delivered by the North hubCo.

What were previously three separate projects at varying stages of development, hub has brought them together as a single project with a single project agreement for the two NHS Health Boards, and is the first collaboratively procured NHS DBFM project to be delivered through the Scotland-wide hub programme.

Bringing all three projects together maximises the delivery of value-for-money across the two NHS Health Boards to ultimately increase efficiencies of joint procurement, collaborative working and the establishment of shared services.

With construction due to start imminently, completion of all three primary care facilities is expected by April 2014 and will provide an opportunity for service redesign to improve patient care.

**Forres Community Health and Care Centre** - This new facility will replace the nearly 40 years old Forres Health Facility and the ambulatory and rehabilitative services currently at Leancoil Hospital which is well over 100 years old. This new centre will provide a range of services to the local community, including:

- Two GP practices
- Community care services
- Outpatients services

**Woodside Medical Group Premises** - This new development will replace the existing health centre and accommodate services transferred from other existing clinics. The development will provide the following services to the local community:

- GP consulting and associated areas
- Aberdeenshire Community Health Partnership services
- Community nursing
- Common support areas
- Social work areas
- Dental unit

**Tain Health Centre** - The new two-storey health centre in Tain will provide accommodation for two medical practices as well as the following services:

- GP services
- Dental services
- Community nursing
- Physiotherapy
- Podiatry

In terms of sustainability, the aim is to achieve buildings which are not only interesting and welcoming but that are as energy efficient as possible. It is the intention that all buildings will gain a BREEAM 'Very Good' rating with the main energy source from biomass boilers providing a low carbon energy solution. In addition, construction materials will have a low environmental impact over the full lifecycle of the building with all major building elements being selected from 'The Green Guide to Specification' with an A or A+ rating.

The wider economic benefits of this collaborative hub project include:

- Opportunities for local employment by both the contractor and the supply chain together with the creation of new apprenticeships
- Local Tier 2 Supply Chain benefits from being actively engaged in the delivery of the new facilities, with each work package being subject to competitive open book tendering
- Materials, resource and labour being sourced from the local region



**Above:** Artist's impression of the Woodside Medical Centre.

## 5.5 Scotland's Schools for the Future

SFT manages the £1.25bn Scotland's Schools for the Future programme on behalf of Scottish Government.

Over the last four years, SFT has worked collaboratively with Scotland's local authorities and other industry partners to greatly improve the efficiency and effectiveness of infrastructure investment, with the collective focus on delivering efficient, high-quality schools that offer a first-class teaching and learning environment while also providing excellent value-for-money.

SFT's work in achieving greater value has led to an increase in the number of schools to be built within the programme, which has risen from the original 55 to 67 schools, all paid for from within the existing budget. As a result, the programme will now increase the number of pupils to be taught in new schools from 43,000 to 55,000, with an estimated 12,000 more pupils to benefit from being taught in modern, fit-for-purpose schools.

In the last 12 months, five brand new primary schools have been completed and handed over allowing 1,800 children to enjoy modern, bright and inspiring surroundings.

Over the year, SFT appointed two market-leading architects who are experts in school design to create high-quality, innovative, efficient and flexible school designs to support the delivery of the modern curriculum – a reference primary school design. Such has been the success in this area that construction of one school using the reference design will start this year with a number of other local authorities progressing with the design for their own schools (see case study).

Thanks in part to the advanced stage of construction in the Pilot Secondary Schools project, collaboration between councils has greatly increased over the year. Rapid progress of the schools, both of which open in August 2013, has allowed SFT to host workshops on the school sites allowing council representatives to witness first-hand the real benefits that these schools will offer. As a result, 19 local authorities are now working in collaborative groupings on their new school projects with the hubCos.



*Above: Pupils at Haddington Infants and St Mary's RC Primary School, East Lothian.*

### Plans for 2013-2014

For the coming year, SFT's focus will be to work with local authorities to adopt best practice across the schools' programme, to work collaboratively, and to move projects forward into construction as quickly as possible.

In addition, SFT will work across the programme to identify the best means of achieving sustainable life-cycle solutions and contribute towards the achievement of climate change targets.

### Business objectives for the coming year are:

- Manage the £800m central government budget within the £1.25bn Scotland's Schools for the Future programme
- Have the two Pilot Secondary Schools open in line with Scotland's Schools for the Future programme goals
- Complete construction and achieve occupation of four primary and two further secondary schools
- Progress the first reference primary school design into construction
- Commence construction of at least five primary and six secondary schools
- Facilitate the collaborative procurement of over 20 secondary schools across Scotland among local authorities and the five hubCos
- Work with local authorities to maximise the number of schools that can overcome obstacles to move into construction more quickly

# SCOTLAND'S SCHOOLS FOR THE FUTURE

Inspiring learning, aspiring nation

## Case Study

### Lairdsland Primary School, East Dunbartonshire

SFT appointed two market-leading architects to create high-quality, innovative, efficient and flexible school designs fit for supporting the delivery of the modern curriculum. The reference designs were project managed by SFT and were run in partnership with East Dunbartonshire Council using the proposed new Lairdsland Primary School as the subject school.

The aim of the reference primary school design exercise was to create high-quality innovative, efficient, flexible, sustainable and affordable designs that can be delivered in line with programme objectives.

Two design teams were appointed to explore different approaches that would allow SFT to promote the quality design solutions to all councils in Scotland, particularly those that were about to start the process of developing design solutions for primary schools, both within and outwith Scotland's Schools for the Future programme.

The project also aimed to challenge conventional thinking, to ensure that designs were compliant with the objectives of the Scotland's Schools for the Future Programme (illustrating that good quality flexible space can add real value to teaching and learning), and be capable of being increased or decreased to respond to different sizes of primary schools. The results were then promoted and shared with all local authorities throughout Scotland.

The development of the reference primary school designs involved considerable time spent consulting with pupils, staff and the wider community. The project is now in the final design development phase with construction commencement planned to start during 2013-2014 and with completion and occupation planned a year later.

*"The Scottish Futures Trust worked with East Dunbartonshire Council to develop a primary school reference project that tested the space and the cost matrices developed by SFT.*

*"From East Dunbartonshire Council's perspective, this was an incredibly beneficial and positive experience. The project allowed us to access two excellent architectural practices and develop innovative designs for our first primary school to be built in nearly 20 years. The whole process of stakeholders engagement and design development was invaluable.*

*"East Dunbartonshire Council approved the design of one of the solutions to be built in 2013. This process advanced the design process by a number of months and has provided a state-of-the-art building solution that will be viewed with great interest from across the country."*

**Gordon Currie**, Head of Education,  
East Dunbartonshire Council



**Left:** Images of the Reference Primary School Design.

## 5.6 Tax Incremental Financing

*“SFT has been a valued partner in helping shape and inform Argyll & Bute Council’s TIF ambitions for the Lorn Arc. The initiative aims to unlock the Lorn area’s potential in marine science, marine tourism and marine renewable energy and strengthen Oban’s role as a regional economic centre.*

*“The initiative has the potential to generate sustainable economic growth at the local and national levels and significantly broaden the local employment base. SFT’s guidance, advice and close working with the council has been very much appreciated.”*

**Robert Pollock**, Head of Economic Development and Strategic Transportation, Development and Infrastructure Directorate, Argyll & Bute Council

Scotland continues to lead the way in the use of Tax Incremental Financing (TIF) as a means to help attract additional investment to help regenerate strategic locations. SFT is at the heart of that work by attracting extra funds over and above conventional capital budgets.

Such is the attractiveness of TIF that for every £1 of public sector money spent, potentially a further £5 can be invested by the private sector, which is crucial for future growth. With the public sector set to invest around £300 million into six TIF pilot projects over the next ten years, this is expected to leverage an additional £1.5bn of long-term private sector investment within Scotland.

**Below:** Tax Incremental Financing Investment Multiplier.



SFT is currently working on six pilot programmes, which are:

1. Glasgow City Council's £80m TIF scheme for the Buchanan Quarter (where construction work has started), is expected to unlock £310m in private investment and create almost 1,500 jobs
2. Fife Council is investing nearly £20m to improve vehicle and marine access to Energy Park, Fife, allowing the potential for further offshore and wind projects to be developed leading to the creation of around 1,000 jobs
3. Argyll & Bute Council's £20m Lorn Arc project is aimed at extending Oban's north pier which will act as a catalyst for growth in marine tourism, renewables and aquaculture
4. Falkirk Council is investing over £50m to support its chemical, manufacturing and distribution and support sectors in Grangemouth which will include strategic road improvements and flood defences
5. North Lanarkshire Council is investing £75m to allow construction of vital infrastructure on the Ravenscraig development. The entire project is expected to take a number of years creating over 10,000 jobs and attracting more than £1bn in private sector investment
6. The City of Edinburgh Council had originally planned to invest £84 million into its Waterfront TIF scheme, but with change of ownership at Forth Ports, the council is reassessing its options



**Above:** Artist's impression of the new TIF-enabled Buchanan Quarter in Glasgow.

A major achievement for SFT during 2012-2013 was its work which directly contributed towards Glasgow City Council's Buchanan Quarter TIF business case gaining full approval. This project is now on site marking the first TIF-enabled construction activity in Scotland. It will also be first to test the TIF capture mechanism which is the means by which TIF revenues are secured by local authorities to repay the initial public sector borrowing.

Significant progress has also been made on the Argyll & Bute, Falkirk and Fife projects, whilst additional support has been provided to the City of Edinburgh Council on the re-configuration of its TIF project following a major change in the structure of its original private sector partner.

#### **Plans for 2013-2014**

During 2013-2014 SFT expects to see significant progress being made across the TIF programme, with all outstanding pilots being granted full approval in the early part of the financial year and that three more TIF projects will start on site. Significant public sector investment, in the region of £20m, is anticipated during 2013-2014 with construction ramping up across the pilot projects.

Moving forward, SFT will help the remaining pilots shape their business cases and continue to provide a challenge function which will result in robust cases being presented for Ministerial approval. SFT will therefore be instrumental in ensuring full approvals are secured on all TIF projects which will enable local authorities to move into the delivery phase of their projects. In addition, SFT will focus on working with project partners to deliver developments and where possible, identify early wins to kick-start construction.

SFT will also seek to expand the support it offers in terms of delivering other economic growth and regeneration models which it sees as viable.

#### **Business objectives for the coming year are:**

- Reach full approval for all TIF pilots on the basis of high-quality business cases that present a clear value-for-money proposal and are capable of acceptance by Scottish Ministers
- See investment made and construction started on at least three TIF projects
- Beyond TIF, work with Scottish Government and local authorities to identify further investment approaches and opportunities to encourage economic growth and regeneration
- Work with Scottish Government to establish the framework for pilot evaluation

SFT will have an on-going role as part of the TIF Executive (alongside Scottish Government and the various councils) which will monitor progress on the project and share wider TIF programme considerations from across all six TIF projects.

## 5.6 Tax Incremental Financing CONTINUED

### Case Study

#### Glasgow City Council's Buchanan Quarter

In October 2012, Glasgow City Council (GCC) and Scottish Government signed a TIF agreement signalling full approval for the £80m Buchanan Quarter TIF project, which in turn should attract over £300m of additional investment directly from the private sector.

The Buchanan Quarter TIF project, which started on site in February 2013, will deliver significant levels of public infrastructure in the Buchanan Quarter area of Glasgow, thereby contributing significantly to the implementation of the city's ambitious economic development objectives of helping create construction jobs, engender further private development (with an initial retail focus) and strengthen Glasgow's position as a tourist destination and the second 'shopping city' in the UK.

SFT's strategic role was to help challenge and shape GCC's Business Case which then enabled SFT to recommend the Glasgow TIF to Scottish Ministers.

Ultimately, the Glasgow TIF will deliver:

- Public realm and infrastructure improvements which increase the attractiveness and security of the city centre
- Facilitate the reconfiguration of Queen Street train station; the station's entrance and overall environment
- Improve highway and traffic management
- Achieve increased connectivity across the Quarter
- Enhance the general cultural attractiveness and offering of GCC

Glasgow City Council forecasts that the TIF proposals have the potential to generate the following economic outputs:

- 3,500 Person Years Employment (construction period)
- 1,500 Full Time Equivalents (post construction)
- £36m GVA per annum

SFT's primary role included providing advice on TIF in general and on the shape/content of the business case, a challenge function as regards key aspects of that document; ensuring proposals were in line with TIF regulations; and further refinement of the TIF model and capture mechanism.

The council has let contracts for the Concert Hall and Cathedral Street Bridge works and these works have started on site. The council is committed to complete different aspects such as the George Square redevelopment and various public realm and traffic connectivity works before the start of the Commonwealth Games. Delivery of these works will serve to enhance the city's image ahead of the Games, thereby further promoting tourism in Glasgow and Scotland.

The entire package of public works is expected to be complete by early 2016.



Above: Press article (dated 24 January 2013) reproduced with kind permission of The Herald.



## 5.7 Waste

In May 2012, the far-reaching Waste (Scotland) Regulations 2012 came into force. The repercussions are of importance to local authorities, waste operators, waste producers, environmental agencies and the people of Scotland. Critically, the regulations introduce a variety of far-reaching measures to deliver key actions detailed in Scotland's Zero Waste Plan, including energy from waste facilities.

Scotland's Zero Waste Plan has a target of diverting an additional 500,000 tonnes of local authority residual waste from landfill each year by 2020 – the equivalent of filling 1,000 Olympic-sized swimming pools each year.

To help achieve this ambitious target, an emerging pipeline of local authority backed residual waste infrastructure projects, valued at nearly £1bn, will play a significant role in meeting the Zero Waste Plan targets. In turn this level of investment will promote economic growth through the delivery of major construction projects and the creation of new waste services.

SFT's role in this delivery will be to provide targeted support to enable local authorities across Scotland to procure major waste treatment facilities, projects and services that are deliverable, affordable and sustainable.

SFT is currently working with a number of local authorities, Scottish Government and Zero Waste Scotland in the development of initiatives to meet the requirements of Scotland's Zero Waste Plan and to reduce local authorities' exposure to the increasing cost of landfill.



*Above: Artist's impression of the Viridor waste facility in Glasgow.*

Due to the complexities of delivering waste treatment facilities, Scotland has had a number of stalled and aborted waste procurements. However, SFT has been instrumental in supporting successful projects relating to local treatment needs, including:

- Providing extensive support to Glasgow City Council to make sure its waste treatment project reached a successful conclusion
- Supporting both the City of Edinburgh and Midlothian Councils in the first collaborative food waste treatment project in Scotland
- Finalising the partnership and delivery arrangements among the five local authorities participating in the joint Clyde Valley residual waste project, and supporting the authorities in bringing this major waste project to market

Glasgow City Council's £154m residual waste contract was awarded to Viridor in June 2012 and will deliver a package of community benefits as well as opportunities for SMEs when construction starts. When fully operational, the treatment facility will save 90,000 tonnes of CO<sub>2</sub> a year and recover enough energy to power 22,000 homes.

## 5.7 Waste CONTINUED

The City of Edinburgh and Midlothian Councils' food waste treatment project is the first collaborative project of its kind in Scotland. The contract was awarded to Alauna Renewable Energy – a new entrant to the Scottish waste market – who will build and operate an anaerobic digestion facility to treat the councils' food waste and generate renewable electricity.

In addition, SFT is supporting the City of Edinburgh and Midlothian Councils' residual waste treatment project, currently at the competitive dialogue stage; the project is expected to be concluded during 2013-2014.

Moreover, in the largest collaborative waste project in Scotland, SFT is playing a key role in concluding the partnership arrangements among five local authorities participating in the Clyde Valley residual waste project (North Lanarkshire, Renfrewshire, East Renfrewshire, East Dunbartonshire and North Ayrshire). SFT promoted ways whereby an equitable partnership could be established, and guided the local authorities through a joint working arrangement which in turn has enabled this major shared service, with a capital cost of over £150m, to be brought to market.

This collaborative initiative will not only realise some of the benefits of joint working as identified in the 'Clyde Valley Review 2009' by Sir John Arbuthnott, but will also enable the delivery of major waste treatment services essential to meet Scotland's 2020 landfill ban.

### Plans for 2013-2014

Based on previous achievements, SFT's key focus for the coming year will be in continuing to provide support and maintaining its position as a valued and highly-respected centre of expertise for waste treatment procurement.

SFT will continue to lend its support to local authorities currently in the procurement process and share the lessons learnt with others from completed waste treatment projects, look to identify ways in which project delivery can be accelerated, and, how sustainable solutions may be reached that are best-placed to respond to an ever-changing waste sector.

As more waste projects reach financial close, SFT will look to expand its operational support service to the waste sector and help local authorities with their future contract management arrangements.

### Business objectives for the coming year are:

- Support the joint Clyde Valley residual waste project through to detailed solution stage with a shortlist of bidders
- Support the joint Edinburgh and Midlothian residual waste project to preferred bidder stage and provide on-going support to achieve contract signature
- Provide support to the Scottish Government and Local Authority Waste teams in developing a strategic approach to waste treatment in Scotland

## Case Study

First collaboratively procured food waste treatment facility for the City of Edinburgh and Midlothian Councils

*“SFT has provided excellent support to the Zero Waste Project, especially its project assurance, market intelligence and general best practice guidance in delivering a project of this scale. I have enjoyed working with SFT and look forward to a continued relationship as we deliver the next stage of the Project.”*

**Gordon Pollock**, Project Director for Zero Waste: Edinburgh and Midlothian

SFT has supported the City of Edinburgh and Midlothian Councils' food waste treatment project which is the very first collaborative waste project in Scotland, reflecting the partnership approach SFT encourages public bodies to follow to deliver value-for-money projects.

The contract was awarded in February 2013 to Alauna Renewable Energy (ARE) – a joint venture between Kelda Water Services and Scottish Water Horizons – who will now go on to design, build, finance and maintain (DBFM) an anaerobic digestion facility to treat the councils' food waste and generate renewable electricity.

The 20-year DBFM contract will provide a secure, long-term solution for treating food waste collected by the councils, and help achieve higher recycling rates in line with national targets set out in the Scottish Government's Zero Waste Plan.

The anaerobic digestion facility, planned to be operational in 2015, will be capable of receiving around 30,000 tonnes of food waste per year collected by the two councils, and recycling it for use on agricultural land as a high-nutrient fertiliser and soil conditioner.

The other major advantage of anaerobic digestion is that methane, a greenhouse gas produced naturally when food waste breaks down, is captured and used to generate renewable electricity and heat rather than escaping to the atmosphere from landfill sites.

The new facility is to be built on a site provided by the councils at Millerhill Marshalling Yards in Midlothian and marks the first step of the councils' shared vision for a Zero Waste Parc at the derelict industrial site.

During procurement, SFT provided a project assurance and support role to the councils which included representation on the Zero Waste Project Board as well as hands-on commercial support to the project team, and carried out key stage reviews.

Construction of the new facility is expected to begin in 2014, with the facility to be operational by the end of 2015. Also, as part of the wider Zero Waste Project, the two councils are currently jointly procuring a further additional facility to treat their residual waste, part of which, if not all, will be built adjacent to the food waste treatment facility.



**Above:** Food waste collection in Edinburgh.

## 5.8 Low Carbon and Energy Efficiency

As a nation, Scotland is committed to achieve challenging statutory emissions reduction targets by 2020 as set out in the Climate Change (Scotland) Act 2009. The Draft Second Report on Proposals and Policies, laid before the Scottish Parliament in January 2012, clearly demonstrates Scotland's commitment to these targets and the policies and approaches the country needs to adopt to deliver these including SFT's contribution to these. This includes supporting the development of investment programmes in street lighting, energy efficient public buildings and district heating.

In relation to street lighting, over the course of the year, SFT has completed business cases with East Dunbartonshire and West Dunbartonshire Councils to identify the potential financial and carbon benefits of energy efficiency investment. On average, street lighting accounts for 25 per cent of a local authority's electricity bill. If the conditions and the requirements identified through the two Business Cases were to be replicated across all Scotland's local authorities, potential savings of between £250m - £300m should be achieved over a 25 year period.

To help enable other local authorities to test the feasibility and to better understand the potential impact of an energy efficiency investment within their street lighting estate, in March 2013 SFT published its Street Lighting Toolkit in conjunction with the Society of Chief Officers of Transportation in Scotland (SCOTS) and with support from the Scottish Cities Alliance Sustainability Group.

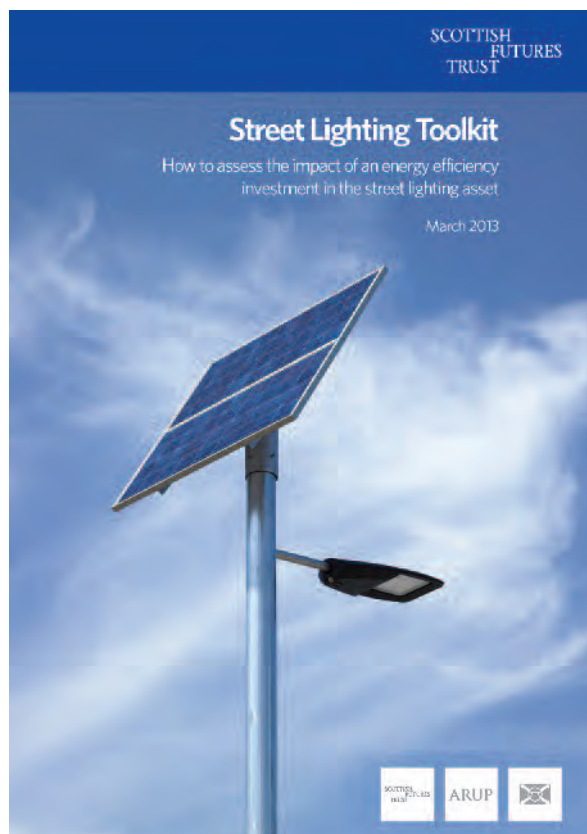
There is also potential to invest in a range of low carbon energy efficient measures in public buildings and SFT has been involved with a range of stakeholders to better understand the ways in which these could be financed and delivered.

To better understand the potential options for investment, SFT identified possible accounting and budgetary approaches to energy performance contracting capable of attracting private investments and delivering energy efficiency works which could be funded through energy savings and, possibly, revenue budgets.

The Scottish Government recently published the 'Potential Carbon Abatement from the Scottish Public Sector' which indicated an investment need of £400m to implement all the measures outlined within the public sector's carbon management plans. SFT is currently reviewing the funding and financing options available to deliver this level of investment.

Further work is required to consider the relative condition of the underlying asset base, the efficiency of current energy provision and consumption, and to establish the specific energy efficiency measures that would be required. In order to better understand these issues, assets within a Central Government organisation and a local authority have been identified to test the feasibility of energy performance contracting.

SFT has continued to support local authorities in the promotion and delivery of the Green Deal within their area, including the publication of a report and support to the Scottish Cities Alliance Green Deal Delivery Group.



*Above: SFT's Street Lighting Toolkit, published in March 2013.*

**Plans for 2013-2014**

SFT is building a specialist team to focus on the low carbon and energy efficiency sectors to develop public sector approaches to energy performance contracting, especially those which may be capable of being revenue funded. This work will focus upon two pilots – a Health Services Scotland office building and Glasgow City Council's primary school estate. The results of these pilots will inform the further development of a programme of investment.

SFT will continue to support the business case for an energy efficiency investment within Scotland's street lighting estate – an initiative which could save Scotland's local authorities up to 12 per cent of their electricity bills (£130m). This will include providing support to the two pilot projects at East Dunbartonshire Council and West Dunbartonshire Council as they move towards pre-procurement. In addition, SFT will work with Scottish Cities Alliance, COSLA and individual local authorities to support the roll-out of energy efficiency investment.

SFT will also support a pilot district heating project to develop a suite of standard documentation.

**Business objectives for the coming year are:**

- Roll-out the Street Lighting Toolkit to develop procurement approaches based on standard documentation
- Continue to support two local authority pilots through their pre-procurement business case processes with one project entering procurement by March 2014
- Support the roll out of pilot Light Emitting Diode projects to test the business case proposition
- Develop commercial approaches to deliver non-domestic energy efficiency based upon a local authority and a Central Government pilot
- Identify the potential for, and work to progress, the development of a practical, public sector approach for district heating
- Develop approaches to facilitate an investment programme across the public sector focusing on energy efficiency and other low carbon activities and move to procurement

**Case Study****East Dunbartonshire Council**

SFT has worked with East Dunbartonshire Council to test the concept of an energy efficient investment in its street lighting estate including the adoption of LED technology and the introduction of a Central Management System.

The Business Case indicated that an investment of £6.6m in these areas would deliver savings of c.£9m after allowing for finance costs and c.£18m before financing. This was a forecast decrease of over 60 per cent in the annual energy consumption of the street lighting estate and a 50 per cent decrease in associated carbon emissions.

*“East Dunbartonshire Council and SFT have worked proactively together to assess the options to invest in the energy efficiency of our street lighting network.*

*“SFT's help in delivering the business case, and their on-going support to help overcome potential barriers to the project, has been a significant factor in moving the project forward and very much appreciated.”*

**Derek Cunningham,**  
*Director of Development & Infrastructure,  
East Dunbartonshire Council*

## 5.9 Programme Support and Assurance

In addition to the sector specific activities identified in the preceding sections, SFT also actively supports public bodies through a number of programme support and assurance initiatives.

SFT looks to add value and confidence through its work in validation and third-party assurance on a wide range of education, health, waste and transport projects. SFT carries out the assurance internally as part of its normal project support role, providing project teams with a single point of communication, reducing duplication of activities and reducing the potential for process delays. Each review is completed by a relevant SFT team member closest to the project and a member of SFT's Senior Management Team carries out a secondary review.

SFT supports all NPD and revenue funded projects under the hub initiative as well as a number of local authority waste projects. In carrying out this function, SFT not only works with project teams and contributes at board level, but also carries out Key Stage Reviews (KSRs).

The aim of KSRs is to improve efficiency in the delivery of revenue funded projects and to increase the likelihood of achieving successful procurement and operational outcomes for projects. KSRs are conducted at crucial stages in the procurement of a project and provide a critical but constructive assessment of their readiness to progress. They are a helpful tool for identifying any issues that may need to be addressed or resolved before the project proceeds to the next stage. In the last year alone, SFT carried out 40 individual KSRs, twice as many as in the previous year.

In addition to the KSR process, SFT also supports major projects or programmes by either having a presence on the project board or seconding key staff into project teams. This will continue throughout 2013-14.

### **Business objectives for the coming year are:**

- Provide assurance to revenue funded projects (both NPD and hub DBFM) at appropriate stages
- To carry out 30 KSRs
- To ensure that the KSR process is embedded within the integrated approach to project and programme assurance
- Continue to work with the Infrastructure Investment Board, challenging major infrastructure projects and agree action plans resulting from recommendations
- Support the £842m New South Glasgow Hospital project by having a seat on the project board
- Support the Step Change 2015 digital project by seconding a team member

## 5.10 Operational PPP Contract Management

Scotland currently has over £6bn of infrastructure assets (such as schools, hospitals and roads) financed through Public Private Partnerships (PPP). Annual payments, including debt repayment along with significant maintenance and operational services, run close to £1bn per year from public budgets across Scotland.

SFT's specialist team has undertaken a review of a number of operational PPP contacts across Scotland to identify opportunities where, with further focussed work, significant savings could be achieved.

As the current £2.58bn 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.

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 benchmarking, change in law, refinancing of sub debt and payment mechanism issues.

SFT has piloted a 'deep-dive' operational review of a local authority's school contract and worked closely with that authority to review service delivery and contractor compliance. This has been carried with the focus on specific commercial points where value could potentially be improved leading to both financial savings and improved operational performance.

### **Business objectives for the coming year are:**

- Complete in-depth reviews of six operational PPP projects
- Commence targeted reviews of a further 10 operational PPP projects
- Deliver at least four collaborative contract management network events leading to increased awareness of contract rights, responsibilities and tangible savings
- Continue to build on the participation of the collaborative groups developed around local authorities and the NHS operational PPP advisory group
- Build DBFM contract management arrangements under the hub programme appropriate for the scale and multi-authority nature of the programme
- Contribute to the NPD programme and, in particular, to projects about to enter construction by providing advice in relation to best practice in operational contract management



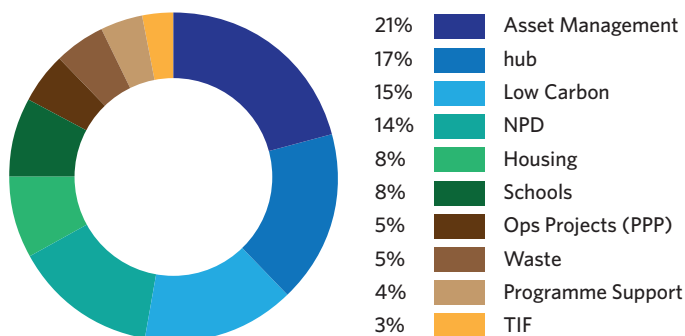


## 6.0 Budget

SFT's budget for 2012-2013 was £5.55m against which it is anticipated that SFT will save around 4 per cent.

The core budget for 2013-2014 has been set as £6.35m.

This budget will be managed to accommodate variances in activity levels across the programmes during the year, meaning that it is fully committed from the outset without flexibility to take on additional activities in the year.



Sector	Budget Allocation (£'000)
Asset Management	1,312
hub	1,087
NPD (inc health, education, transport)	929
Housing	521
Schools	519
Ops Projects (PPP)	307
Waste	296
Low Carbon	950
Programme Support	258
TIF	171
<b>Operational Budget</b>	<b>6,350</b>
Additional Asset Management allocation announced Feb 2012	1,000
<b>TOTAL</b>	<b>7,350</b>
SFT Budget	4,700
hub Budget	850
Low Carbon Budget*	800
Asset Management Enabling Funds	1,000
<b>TOTAL</b>	<b>£7,350</b>

\* Estimated for full year and subject to final confirmation.

## Annex A Programme Funding and Procurement Routes

Programme	Sector						Delivery		Funding				Note
	Transport	Health	Schools	Colleges	Housing	Other	hub	Stand Alone	NPD Additional	Other Additional	Gov Capital	LA Capital	
<b>Roads NPD</b> (M8 and AWPR – procured by Transport Scotland)	1,000							1,000	1,000				Rounded
<b>Colleges NPD</b> (Inverness, Glasgow and Kilmarnock)				300				300	300				Rounded
<b>Acute Health NPD</b> (5 projects procured by health boards)		500						500	500				Rounded
<b>Community health DBFM</b> (procured through hub by health boards)		250					250		250				Rounded
<b>Community Health D&amp;B</b> (procured through hub by Health Boards)		300					300			300			Approximate. Projects subject to approval.
<b>Other hub D&amp;B</b> (generally Local Authority Projects through hub)						285	285				285*		Approximate. Projects subject to approval.
<b>Schools DBFM</b> (procured through hub by local authorities)			815				815		530	20	265		Govt capital for DBFM investment
<b>Schools hub D&amp;B</b> (hub delivered)			160				160			90	70		LA figure may vary
<b>Schools other D&amp;B</b> (in SSF programme, delivered outside hub)			275					275		155	120		LA figure may vary
<b>Affordable Housing NHT</b> (Phases 1 and 2 of NHT)					160			160					Approximate
<b>TIF</b> (public sector infrastructure element of pilot TIF projects)						300		300		300			Approximate – early stage estimate
	<b>1,000</b>	<b>1,050</b>	<b>1,250</b>	<b>300</b>	<b>160</b>	<b>585</b>	<b>1,810</b>	<b>2,535</b>	<b>2,580</b>	<b>460</b>	<b>565</b>	<b>740</b>	
	<b>4,345</b>						<b>4,345</b>		<b>3,040</b>	<b>4,345</b>	<b>1,305</b>		* includes some funding by other bodies



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Business Plan 2013-2014

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## Business Plan 2013-2014

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