



2014/15 **Business Plan**

APRIL 2014

SCOTTISH
FUTURES
TRUST

"We have brought a number of services from across the City, from five different buildings, into one building. That has allowed us to create increased efficiency and effectiveness in terms of how we deliver services."

Jackie Bremner,
Programme Manager, Infrastructure, NHS Grampian

1.0 Overview



Key business objectives for 2014/15

SFT invest

- Ensure more than **95%** by value of projects in the NPD programme are either in procurement, being built or open
- Construction to start on approved TIF pilots
- Identify and establish delivery approach for projects to be included in the **£1bn** NPD programme extension

SFT build

- Work with hubCos to achieve their target of **80%** of work packages offered to SMEs
- Construction to start on **18** more schools
- Contracts to be signed on **15** Design Build Finance Maintain projects
- Implement innovative debt financing structure to achieve increased value-for-money

SFT home

- Develop innovative models to increase the supply of affordable-rent housing

SFT place

- Increase the volume of surplus properties being sold through property disposal programmes
- Work with Scottish Government to implement the initial programme phases for remodelling the office estate
- Further develop opportunities for improved outcomes through increased collaboration in asset management

SFT green

- Develop innovative financing models to deliver energy efficiency investment within the public sector estate
- Support local authorities to treble energy saving levels in street lighting

SFT connect

- Develop commercial approaches to help deliver the long-term digital ambition for Scotland

Highlights from 2013/14

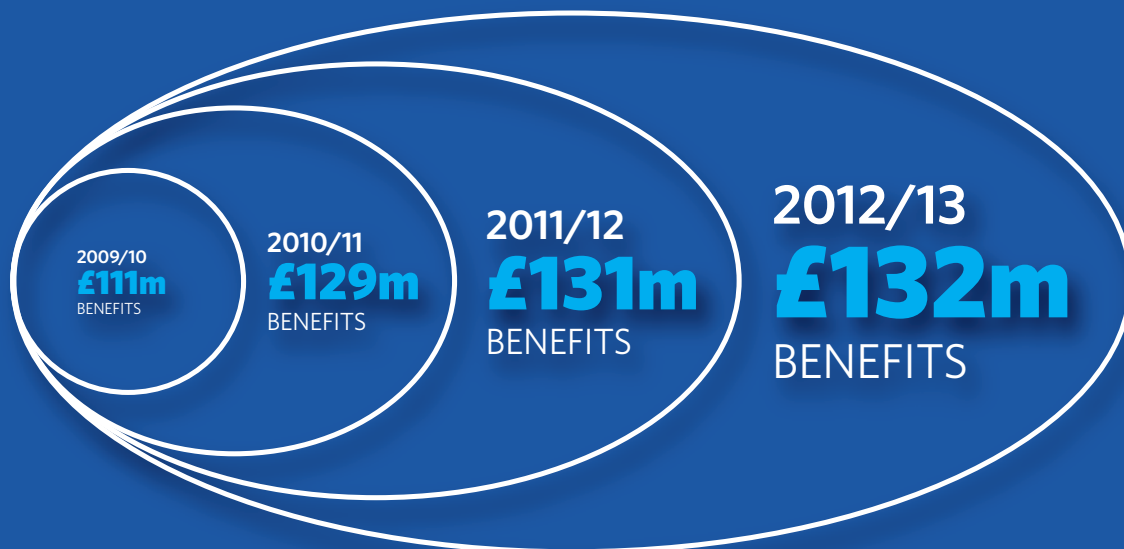
- Value of hub community projects under construction, in development or open and in use has topped **£1 billion**
- Two Non-Profit Distributing (NPD) funded colleges under construction – contract value **£238 million**
- Agreement for **£600 million** of investment from European Investment Bank into Scottish infrastructure with the first **£250 million** now committed
- The **£310 million** M8/M73/M74 motorway improvements being built – largest project to date within NPD programme and more than £100 million under budget
- More than **500** affordable-rent National Housing Trust homes occupied
- Two Tax Incremental Financing projects under construction
- **14 schools** built and open including the two pilot schools, providing first-class learning environments for **6,000 pupils**
- SFT's cumulative benefits and savings amount to over **£500 million**
- Four council office projects piloting 'New Ways of Working' occupied and performing as demonstrators
- Operational PPP support up and running with in-depth reviews improving the value-for-money in PPP projects
- Property disposals programme underway for NHS and Colleges – potential value over **£100 million**
- The Lasswade Centre recognised at the Scottish Property Awards with this SFT led pilot project picking up '**Community Partnership of the Year**'

2.0

How SFT Operates

SFT operates 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 annual target of achieving between £100 - £150 million of savings and benefits. In 2012/13 benefits totalled £132 million, raising SFT's cumulative savings and benefits to over £500 million since its first Statement of Benefits published in 2010.



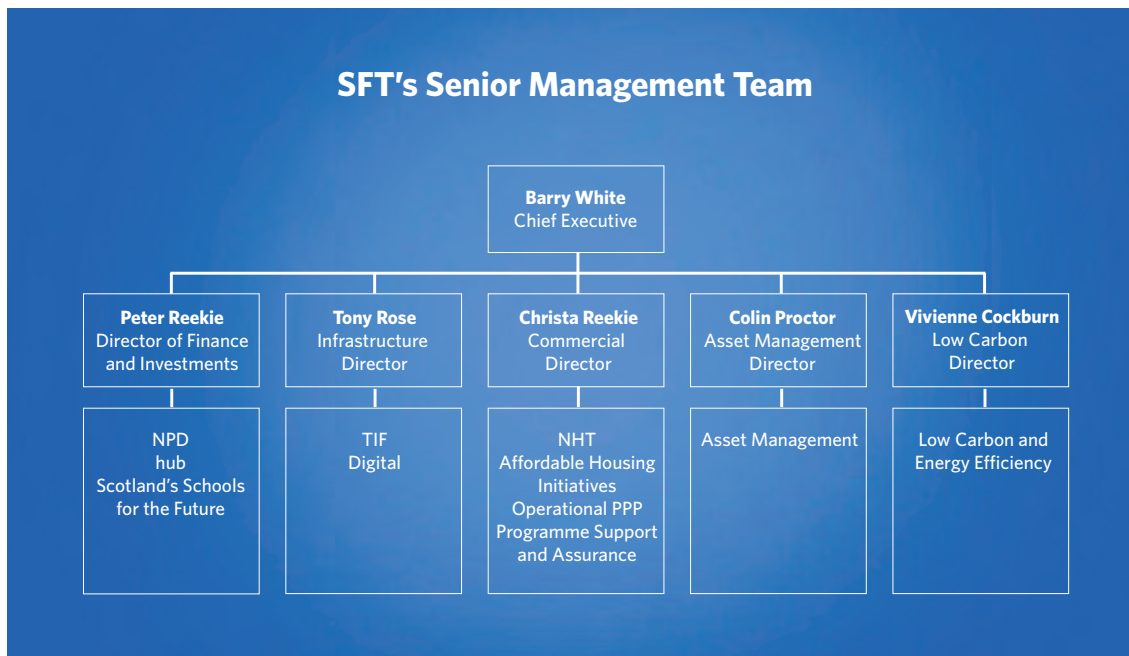
SFT's People

Employing the right people is essential to SFT's success. SFT's team of talented and experienced professionals are drawn from public and private sector backgrounds and have a wide range of technical, legal, commercial and financial skills, bringing extensive expertise in infrastructure, financing, procurement, property management and project delivery into the public sector.

As at March 2014, SFT employed 59 members of staff, a mix of full-time and part-time employees. SFT prides itself on creating an excellent working environment for everyone to succeed and ensures it does all it can to retain its exceptional people. SFT has been successful in its efforts as illustrated by the 96% staff retention figure for 2013/14.

SFT's Senior Management Team

On an operational basis, SFT is managed and led by a senior management team, each with additional responsibilities for specific aspects of the business.



SFT Board

SFT is directed by an experienced Board which has seven members – a non-executive chairman, four non-executive directors, SFT's chief executive and its director of finance and investments. Further details of Board members are available on SFT's website.

SFT Investments

SFT has a subsidiary company named SFT Investments (SFTi). SFTi holds memberships of NHT LLPs joint ventures, shareholdings in hub company joint ventures and investments made in hub DBFM projects. In total SFTi has placed investments with more than 25 joint ventures with public and private sector partners.

SFT's Work Streams

SFT has 11 work streams grouped under six broad headings - SFT invest, SFT build, SFT green, SFT home, SFT place and SFT connect. The objectives for each work stream are set out in Section 5 of this Business Plan.

Whilst set out separately, there are many overlapping work streams. For instance, a school being built within the Scotland's Schools for the Future programme may use NPD funding and be delivered by hub (a summary of the funding delivery mix is set out in Annex A). Additional work stream synergies can exist with the new school often being part of a local asset management plan with a number of community-based services being co-located on the same site. And when built, will contribute to the decarbonisation agenda as it will use much less energy than the building it is replacing.

3.0

Attracting Additional Investment

"EIB is committed to supporting crucial investment that stimulates economic growth and improves lives in Scotland. We recognise the importance of ensuring project readiness and are pleased to work closely with SFT to enable quality projects to reach financial close."

"Our close collaboration has helped to deliver investment such as construction of the new City of Glasgow College and completing the M8 motorway link between Glasgow and Edinburgh. We look forward to building on this strong cooperation to deliver new hospitals, transport infrastructure and other flagship investment projects across Scotland."

Jonathan Taylor,

European Investment Bank Vice President responsible for Scotland

Investment in infrastructure is the engine room of economic growth. It remains a key objective of SFT to enable additional investment thereby helping create and protect jobs as well as improving the lives of communities across Scotland.

SFT has three major additional investment programmes up and running - NPD, TIF and NHT - totalling more than £3 billion of additional public investment over and above existing budgets. These programmes have a catalytic effect on the private sector with the NPD funded Aberdeen Western Peripheral Route alone, set to add £6 billion to the local economy five years after completion. Opportunities for additionality are also being developed in other areas of the business within SFT, including street lighting spend-to-save measures, self-funding energy efficiency, and using surplus assets to fund new investment.

The NPD programme of investment remains the most significant programme of additional investment. The initial programme is set to lever some £2.58 billion into Scottish infrastructure, with private financing being repaid from future revenue budgets. The recent announcement of a £1bn extension to the programme will extend additionality of investment above traditional capital budgets out to 2019/20 with projects being identified by SFT working with public bodies across Scotland over the summer. The programme is one of the largest investment programmes of its type in Europe on a per capita basis. The first NPD funded project, the Aberdeen Health Village delivered through the hub programme is open, and further NPD projects valued at £600 million are under construction. As part of this work, SFT engages with a wide range of financiers in order to secure the best value debt investment.

Agreement has been reached with the European Investment Bank to invest £600 million in Scottish projects of which £250 million has already been committed. Whilst European commercial banks continue to be lenders to long-term infrastructure projects, there is now a growing number of insurance companies and pension funds who are attracted to the stable, long-term income that infrastructure projects can generate. An increasing number of opportunities are being identified to work with niche funders such as the Green Investment Bank who specialise in funding low carbon projects.

TIF was brought to Scotland - its first application in the UK - by SFT as a variation on the structure used in the United States to finance regeneration. Two TIF projects, with a total value of £140 million, have started construction in Glasgow and Falkirk, with further construction planned to start during 2014/15 on the Ravenscraig, Fife and Argyll & Bute projects. Overall the programme is anticipated to deliver £300 million of public investment generating £1.3 billion of additional private investment.

The NHT programme is an award-winning and innovative funding mechanism for the delivery of affordable-rent housing. To date, contracts have been signed to build over 1,180 homes valued at £173 million, with no grant subsidy. This significant additional investment has shown the way for innovative housing delivery bringing Scottish Government, local authorities, Registered Social Landlords and private developers into co-operative arrangements across Scotland.

4.0 Delivering Better Outcomes

SFT aims to ensure that environmental, social and economic sustainability are addressed in the early stages of project development as well as in the way it carries out business itself to help secure better outcomes.

Economic Growth

SFT has three major additional investment programmes up and running - NPD, TIF and NHT - totalling more than £3 billion of additional public investment over and above existing budgets. These programmes have a catalytic effect on the private sector with the NPD funded Aberdeen Western Peripheral Route alone, set to add £6 billion to the local economy five years after completion. Opportunities for additionality are also being developed in other areas of the business within SFT, including street lighting spend-to-save measures, self-funding energy efficiency, and using surplus assets to fund new investment.



Communities

Communities across Scotland are benefitting from the hub programme - currently 18 projects have been completed, 26 are in construction and 50 others are in development; 6,000 pupils are now benefitting from being taught in new and inspiring schools through the Scotland's Schools for the Future programme, and nearly 1,000 people continue to live in their communities thanks to affordable-rent housing delivered through the NHT programme.

Environment

High-quality sustainable design is supported by SFT throughout the development of its projects and programmes with, for example, community health buildings being built to meet BREEAM excellent and schools being designed to EPC B+. SFT's low carbon work is supporting the roll-out of LED street lighting technology that reduces energy consumption by up to 70%.

Knowledge

SFT seeks opportunities to share expertise and experience with those that it works with and to broker exchanges between a broad range of public and private sector organisations. Secondments between SFT and other organisations are encouraged with over 30 such arrangements having been established to date.

Jobs

SFT's activity generates many opportunities to create employment, either directly through construction or through longer-term opportunities that completed projects bring. SFT's hub and NPD programmes are supporting over 2,500 construction jobs and the TIF investment is projected to support over 15,000 resultant job opportunities across a range of industry sectors including retail, leisure, renewables and education.

Training

The Scotland-wide hub programme includes firm requirements and key performance indicators for delivering training opportunities and apprenticeships and each of the NPD projects have a community benefit clause that also seeks similar commitments.

SFT is also supporting the development of a street lighting apprenticeship programme which will run for the first time in 2014/15.

5.0 Work Streams

SFT invest

Non-Profit Distributing (NPD) and Tax Incremental Financing (TIF)

SFT home

National Housing Trust (NHT) and Affordable Housing Initiatives

SFT build

hub, Schools and Programme Support and Assurance

SFT green

Low Carbon and Energy Efficiency

SFT place

Asset Management and Operational PPP Contract Management

SFT connect

Digital



Non-Profit Distributing

Per head of population, SFT leads on the largest revenue-funded investment programme in Europe. The £2.58 billion NPD programme currently in delivery is used to fund major transport, health and education projects throughout Scotland. It has recently been augmented by a further £1bn of investment announced by the Scottish Government to extend additionality of investment over and above traditional capital budgets out to at least 2019/20, supporting many further jobs in Scotland and delivering vital improvements to our infrastructure. SFT has been asked to work with public bodies to develop business cases for potential projects over the summer to allow robust selections of projects suitable for development under NPD structures in a timely manner to be made.

Notable achievements over the past 12 months include:

- Contracts signed and construction starting on 12 sites with a combined capital value of over £600 million
- The first project within the NPD programme opened – the Aberdeen Community Health and Care Village
- Three health projects reached preferred bidder stage
- Financial close reached on the M8/M73/M74 motorway improvements – largest project to date within NPD programme and more than £100 million below budget
- Construction started on seven DBFM projects through the hub programme
- NHS Dumfries & Galloway's £200 million acute services redevelopment project entered procurement

The drive, common sense approach and collaborative attitude embraced by all those involved in the NPD programme supports the delivery of benefits made by the investment – construction activity is boosted and jobs are protected.

The NPD programme is proving attractive to contractors, investors and funders, with £600 million already agreed for investment by the European Investment Bank (EIB) for NPD projects.

European Investment Bank (EIB)

EIB is owned by European Union member states and SFT has succeeded in gaining EIB's support to invest in large NPD projects. EIB's western Europe lending team prioritises its resources and looks for well organised and properly structured projects.

Combined with that of various procurement teams, SFT's work has paid off with EIB lending to Glasgow College and the M8/M73/M74 motorway improvements with commitments for further investment into the Edinburgh Royal Hospital for Sick Children, the Aberdeen Western Peripheral Route and the Dumfries & Galloway Royal Infirmary.

SFT has consistently sought to challenge the reputation of large infrastructure projects for needlessly long and expensive procurements. It has worked with project teams to set vastly improved, efficient procurement strategies with public and private sector stakeholders. SFT's simplification of a 'standard contract' has helped limit the time and expense of negotiation.

SFT has worked with project teams to achieve improved delivery times and reduced the expense of procurement. SFT is delighted to have seen this challenge met with contracts agreed in significantly reduced timescales – just 17 months from OJEU for Inverness College, 21 months for City of Glasgow College and 23 months for the M8/M73/M74 project. In contrast, in *'A new approach to public private partnerships'*, published in December 2012 by HM Treasury, it highlights that average PFI procurement times across the UK, from initial project tender to financial close, have stubbornly remained at around 35 months.

Objectives for the year:

- Ensure that more than 95% by value of projects in the NPD programme are either in stand-alone procurement or development through hub; in construction; or, in operation
- Support Transport Scotland and the NHS in achieving their targets of reaching financial close on six stand-alone projects (combined capital value c. £900 million) before March 2015
- Manage the NPD programme's long-term affordability in line with Scottish Government's 5% cap
- Secure competition for the financing of each project
- Deliver £600 million value-for-money EIB investment across the programme
- Achieve industry benchmarks for apprenticeships by securing commitment from contractors to at least 190 apprenticeship opportunities
- Appoint suitably experienced individuals into Public Interest Director roles
- Invest in all hub DBFM projects and manage investment portfolio to deliver target returns
- Identify and establish delivery mechanisms for a programme of viable projects forming the £1bn NPD programme extension

NPD Programme Status - March 2014

Sector	Projects	Value	Status
Further Education	Inverness College	£45 million	In construction
	City of Glasgow College	£193 million	In construction
	Ayrshire College (Kilmarnock Campus)	£49 million	Reaching financial close
Transport	M8/M73/M74 motorway improvements	£310 million	In construction
	Aberdeen Western Peripheral Route	£472 million	In procurement
Acute Health	Edinburgh Royal Hospital for Sick Children and Department for Clinical Neurosciences	£155 million	Preferred bidder appointed
	The National Centre for the Scottish National Blood Transfusion Service	£38 million	Preferred bidder appointed
	Ayrshire & Arran Mental Health and North Ayrshire Community Hospital	£48 million	Preferred bidder appointed
	Dumfries & Galloway Acute Services Redevelopment	£203 million	In procurement
	Balfour Hospital, Orkney	£60 million	Pre-procurement
hub	Schools and community health projects	c. £780 million	One project completed, seven under construction and 26 in development

CASE STUDY

Additional benefits of City of Glasgow College

Construction started in August 2013 on the two City of Glasgow College campuses which, when open, will house state-of-the-art facilities for 40,000 students and 1,200 staff.

The Glasgow Learning Quarter (GLQ) Consortium (led by Sir Robert McAlpine) was appointed preferred bidder in early 2013 and financial close was reached in summer 2013, a mere 21 months from when the OJEU was published.

An extraordinary commitment by GLQ, bolstered by the reassurance brought by a highly effective procurement team, saw work start on site in advance of financial close in order to meet the challenging construction timescales.

A vital element of GLQ's winning bid was the opportunity to create strong, local economic benefits. Construction of the two college campuses will support a total of 700 jobs over the construction period – 200 employed directly by the main contractor and 500 through its supply chain. During construction, GLQ is also committed to providing around 170 new jobs plus 40 new apprenticeships, as well as creating 200 weeks of work experience placements, training and qualification opportunities.

GLQ is actively engaging with local contractors and is keen to maximise opportunities for SMEs and social enterprises through advertising appropriate sub-contracts at a local level through, for example, the Glasgow Business Portal. Approximately 75% of works packages awarded to date have been to SMEs.

With construction well underway, the Riverside campus will be completed and open by August 2015 and the City campus will follow in August 2016.

FAST FACTS

- Total value of NPD programme - £2.58 billion
- Projects to the value of £900 million to be signed and financed by March 2015
- Inverness College reached financial close in 17 months
- Agreement of £600 million from EIB into NPD programme
- Construction started on largest project to date within NPD programme - £310 million M8/M73/M74 improvements
- First project within the NPD programme opened – the Aberdeen Community Health and Care Village
- AWPR is predicted to add £6 billion to the local economy five years after completion.



Click on the image above to watch the City of Glasgow College case study

Tax Incremental Financing

SFT's work in managing the innovative Tax Incremental Financing (TIF) programme allows significant investment, valued at £1.6 billion, to be made at key locations across Scotland.

TIF works by allowing local authorities to borrow funds to kick-start regeneration. The initial enabling funds are then paid back from non-domestic rates generated from attracting more businesses into the area, thereby linking investment decisions and economic growth in a very clear way.

SFT is at the heart of that work and provides local authorities with strategic support allowing them to put forward the most commercially viable business cases for government approval. With the public sector set to invest around £300 million into six TIF projects, TIF has the power to leverage a further £1.3 billion of long-term investment from the private sector.

TIF related construction is now underway in Glasgow and Falkirk with further construction planned to start during 2014/15 on the Ravenscraig, Fife and Oban projects.

Objectives for the year:

- See investment made and construction start on at least 80% of the approved TIF pilot projects
- Advance the TIF pilot evaluation to assess the benefit and impact of the TIF approach
- Beyond TIF, work with key stakeholders including Scottish Government and the Cities Alliance to develop new approaches to support infrastructure investment that will stimulate economic growth and regeneration

CASE STUDY

Falkirk TIF

Falkirk Council is using TIF for the benefit of Scotland having been identified as being of national strategic importance, sitting within the National Planning framework. The council's TIF is allowing work to start now and will be used to attract major investment from the petrochemical, manufacturing and logistics industries to the Grangemouth area.

This investment will allow Falkirk to maintain and grow these nationally important industry sectors against the backdrop of a highly competitive global industry where companies have the capability to re-locate to areas anywhere outside Scotland. Total TIF investment of £67 million is forecast to attract private sector investment of approximately £410 million, giving a public to private investment ratio of 1:6.

Falkirk's TIF is forecast to support over 5,000 construction jobs over the 11 year investment period and create up to £415 million Gross Value Added (GVA) per annum over the project's 25 year period. The first phase of enabling infrastructure construction has already started with improvements being made to Junction 5 of the M9, improving access to development sites across the Grangemouth area.

FAST FACTS

- For every £1 of public money invested, a minimum of a further £4 of private investment is made, thereby attracting £1.3 billion of additional private sector investment
- Glasgow's TIF has potential to create 1,500 full-time equivalent jobs and add £36 million annually to the economy

"The team at SFT played a key role in guiding us towards approval of the business case for the Falkirk TIF initiative. This was a complex piece of work, vitally important for the economy of Falkirk, Grangemouth and the rest of Scotland. SFT was supportive, diligent and always willing to help achieve solutions."

Douglas Duff,

Head of Economic and Environmental Services, Falkirk Council



hub

The hub programme is gaining even greater momentum in its drive to deliver high-quality, value-for-money public buildings for the benefit of communities across Scotland.

Over the last year, the value of active projects in the hub pipeline more than doubled to over £1 billion.

The number of completed projects has risen to 18 and includes a range of community centres, schools, health and dental centres and community workshops. Reflecting the wide and diverse range of projects that are undertaken and delivered by the five hubCos, recent examples of projects entering construction include:

- James Gillespie's High School
- Harris and Alford Academies
- Johnstone Town Hall
- Three separate health centres for NHS Lanarkshire in conjunction with North Lanarkshire Council
- Irvine Annickbank offices
- Primary school extensions for the City of Edinburgh Council

The value of projects currently under construction amounts to more than £200 million, with 77% of the construction value being delivered by Scottish SMEs, supporting approximately 2,500 jobs.

In supporting the delivery of improved value-for-money, during 2013, SFT completed an exercise to develop a 'reference health centre' with associated design and cost metrics that are now being used by NHS boards as the benchmark against which future health centre projects will be measured.



Click on the image above to watch the Aberdeen Health Village case study



Click on the image above to watch the Johnstone Town Hall case study

Value-for-money financing

With 18 hub DBFM projects planned to start construction later this year across 13 local authorities and five NHS Boards, SFT recognised the potential savings to be made and organised and led a financing competition to get the best collective deal.

The competition led to Aviva and Nord LB being selected as preferred funders for the projects across the five hub territories.

Across the 18 projects, it is expected that as a result of SFT's work, savings of over £20 million will be achieved.

"CITB continue to support SFT in maximising community benefits through procurement across all five hubs. To date three hubs have successfully adopted CITB's National Skills Academy for Construction Status, and have Project Skills Coordinators to ensure all community benefit targets are achieved."

Phil Ford,
Skills Strategy Manager, CITB-Construction Skills



Objectives for the year:

- Have projects valued at £1.2 billion under construction, in development or completed and operational
- Work with the five hubCos to achieve their targets of 80% of work packages offered to SMEs
- Start construction on 15 DBFM projects
- Implement the 'aggregated finance' structure on DBFM projects to achieve increased value-for-money
- Monitor hub KPIs against targets with emphasis on achieving value-for-money and measuring the number of training opportunities
- Implement options for payment of design fees as recommended in the 'Review of Scottish Public Sector Procurement in Construction'

FAST FACTS

- £1.8 billion – value of projects in hub pipeline
- £200 million – value of hub projects in construction
- Current construction supporting 2,500 jobs
- 77% of construction value undertaken by Scottish SMEs
- Over £20 million saved through 'aggregated finance'

CASE STUDY**Rising school rolls**

The benefit of using hub as a development partner quickly became apparent after the City of Edinburgh Council appointed hub South East to provide a speedy and permanent solution to a lack of capacity at three of its primary schools.

A rapid increase in the number of primary school aged children living in the Trinity, Granton and Wardie areas of the city meant there was insufficient classroom space for the 2013/14 intake.

The City of Edinburgh Council had a variety of different procurement routes available to build them, but chose hub South East to start developing plans as speed was of the essence. At a total cost of just under £2 million, design planning started in August 2012, final pupil numbers were confirmed in January 2013, and construction of the nine classroom extensions got underway in April 2013.

Four months later in August 2013 the classrooms were handed over, ready for the start of the new school term.

Through the contractor Morrison Construction and its SME supply chain, it is estimated that the project supported:

- Over 100 construction jobs
- Four new apprenticeships
- 26 work placement days
- Over 1,300 visits by school pupils and students

Having completed this project, the council has since commissioned hub South East to undertake a similar project to build extensions to four more schools, planned for occupation in August 2014.

Schools

In August 2013 the SFT Schools Pilot Project opened to wide acclaim with the added benefit of saving £4 million. The project brought two councils together (Midlothian and East Renfrewshire) to jointly procure two secondary schools (The Lasswade Centre and Eastwood High School), with the aim of delivering two high-quality learning environments whilst saving money through a shared development, procurement and design approach.

Award-winning Pilot Project

SFT's work on The Lasswade Centre was recognised at the Scottish Property Awards in February 2014 with SFT picking up 'Community Partnership of the Year'.

The real benefit of SFT's work on the Pilot Project is that, working in partnership with other local authorities across Scotland, more than 70% of the secondary school projects within the Scotland's Schools for the Future programme are to be based on the Project's guiding principles.

The Lasswade Centre and Eastwood High School are just two of eight schools within the Scotland's Schools for the Future programme that opened during 2013/14, with construction underway on 12 more, one of them being Lairdsland Primary School in East Dunbartonshire. Lairdsland is the first school to adopt one of SFT's two 'reference primary school designs', the aim of which is to create high-quality, innovative, efficient, flexible, sustainable and affordable learning environments that can be delivered in-line with the Scotland's Schools for the Future programme objectives. Importantly, all Scotland's local authorities have access to the two reference primary school designs which can be easily adapted for their own particular needs, helping to save both time and money.

Objectives for the year:

- Manage the £800m central government budget within the £1.25 billion Scotland's Schools for the Future programme
- Publish and promote 'Lessons Learnt' from the Pilot project
- Complete construction and achieve occupation of three more primary schools and one more secondary school
- See construction start on 18 more schools
- Work with local authorities to accelerate schools where the opportunity exists to overcome obstacles allowing construction to start earlier
- Work with Scottish Government and local authorities on developing schools estate strategies



FAST FACTS

- SFT increased the number of schools from 55 to 67 within existing £1.25 billion budget - 12,000 more pupils will benefit as a result
- 14 schools open with 12 under construction
- Construction to start on 18 more schools during 2014/15
- Construction started on first 'reference primary school'



Click on the image above to watch the Eastwood High School case study



Programme Support and Assurance

SFT supports public bodies through a number of programme support and assurance initiatives and looks to add value and confidence to a wide range of education, health, digital, waste and transport projects. 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 works with project teams, contributes at board level and carries out Key Stage Reviews (KSRs).

Each review is completed by the SFT team member closest to the project and a member of SFT's Senior Management Team carries out a secondary review.

In addition to the KSR process, SFT also supports major projects or programmes by either being a member of the project board or seconding key staff into project teams. This will continue throughout 2014/15.

Objectives for the year:

- Provide assurance to revenue funded projects (both NPD and hub DBFM) at appropriate stages
- Carry out 30 KSRs
- 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
- Continue supporting the £840 million New South Glasgow Hospital project by being a member of the project board
- Support the Step Change 2015 digital project by seconding a team member
- Membership of the project boards on collaborative waste projects in Edinburgh/Midlothian and Clyde Valley
- Agree and commence delivery of an implementation plan for the Construction Procurement Review recommendations



Asset Management

With public sector resources having to go further, saving money on office space and other buildings and the efficient management of property estates helps free up budgets that have the potential to be reallocated to support and deliver frontline services or protect jobs.

SFT is working with local authorities, the Scottish Government, NHS Boards, emergency services and government agencies to help them ensure that the buildings they own, occupy or wish to sell are managed effectively to enable better outcomes. A significant amount of work is already underway by public bodies and SFT conservatively predicts that public bodies will achieve over £500 million of benefits as a result of property disposal and improving asset management.


A strong and dedicated team has been established to work across three principal work streams – Central Estate Property, Local Property and Surplus Property.

Central Estate Property

Central Estate property comprises buildings, mainly offices, which are owned or leased by the Scottish Government, its agencies and Non Departmental Public Bodies. Work continues to put in place a set of city strategies for future public sector office requirements. This will enable programmes of change to be implemented towards improving working environments as well as making significant financial savings.

Objectives for the year:

- Implement the initial set-up and delivery stages of an estates transformation programme with the Scottish Government and its public bodies
- Establish storage efficiency projects with the Scottish Government and other public bodies in key locations
- Work with the Scottish Government to embed new property controls



"We have created a modern, flexible, and open plan workspace, which has been a catalyst for changing how people think about the office. We have brought together a mixed combination of services which now work more collaboratively in new ways, and which ultimately helps them do the work and deliver better services to our customers."

Joyce White,
Chief Executive, West Dunbartonshire Council

Local Property

Local property assets are those used by local authorities, health boards and emergency services. One of the principal areas of focus for SFT is the efficiency and effectiveness of office space.

Objectives for the year:

- Enable and support the establishment of office transformation programmes with local authorities and health boards targeting financial efficiencies rising to more than £25 million per annum
- Further develop and widen the use of 'place based' approaches to asset management
- Support the review of estate management functions in the public sector to identify further opportunities for improved efficiency

CASE STUDY West Dunbartonshire Pilot

West Dunbartonshire Council wanted to explore a variety of new ways of working that would help improve teamwork and build stronger bonds across its different departments - ultimately leading to improved customer service.

With support from SFT, West Dunbartonshire Council identified an underutilised space to transform into a modern office with quiet rooms, collaborative zones, breakout spaces and informal work places. A combination of different mobile technologies were also introduced and traditional dedicated desks were replaced by shared workspaces on a 7:10 ratio - seven desks for 10 members of staff.

The result has been an efficient, flexible and dynamic work environment. The smaller floor plate will lead to reduced office costs and having non-dedicated desks means less clutter and a cleaner and more efficient working environment. Even the council's CEO, Joyce White, gave up her office to move into the space and now uses the range of work settings available to support her daily schedule - a great stamp of approval for the pilot space.



Click on the image above to watch the Dunbartonshire Council case study

Surplus Property

The main focus for SFT's surplus property work stream in the last year has been the creation of a Scotland-wide property disposals portfolio for the NHS. Priority assets have been identified, with enabling funds being provided by the Scottish Government Health and Social Care Directorate to achieve early sales. During 2013/14, 13 sites were put up for sale and a further 14 sites are being prepared for sale during 2014/15.

In addition to the NHS, SFT is working with Inverness, Glasgow and Ayrshire Colleges to assist them with their surplus property strategies.

The Surplus property work stream benefits from collaborative working with Historic Scotland and Scottish Government.

Objectives for the year:

- Work with NHS Boards on their surplus property strategies achieving in excess of £25 million receipts
- Support Inverness, Glasgow and Ayrshire Colleges on their disposals strategy, preparing key sites for sale
- Enable the establishment of property disposals programmes with other public bodies
- Develop and trial a new pan public sector surplus property website

FAST FACTS

- Programme to save over £500 million as a result of property disposal and improving asset management
- Councils working on New Ways of Working pilot has provided first a class working environment and improved the use of space by achieving seven desks for 10 employees ratio

CASE STUDY

Surplus NHS Tayside sites

NHS Tayside owns a significant number of surplus sites some of which need preparation work undertaken before being brought to market. Selling the sites enables the NHS to reduce its ongoing upkeep costs and communities benefit by the sites being reused and attracting inward investment. SFT has been working with NHS Tayside to plan and implement pre disposal work, including master-planning, technical surveys and listed building reviews, which when complete will make the sites more attractive to the market.

NHS Tayside has been used as a pilot to test and challenge a number of practices. The main benefit of the new approach is increased certainty when projects are marketed allowing a more robust sales process, a faster conclusion of the sale, and an improved capital receipt.

Operational PPP Contract Management

Some of Scotland's essential infrastructure - hospitals, schools and roads - are delivered through Public Private Partnerships (PPP). These assets, valued at over £6 billion, incur contract payments from public sector budgets that run close to £1 billion a year. SFT's operational PPP team has been working with various public bodies to carry out in-depth and targeted reviews of PPP contracts looking at where improvements and savings could be made.

During the 2013/14 financial year, SFT's work on six operational PPP contracts and on a number of targeted reviews, has resulted in both one-off and annual recurring savings.

On the back of the in-depth reviews, SFT delivered a series of 'lessons learnt' workshops to a number of councils and NHS boards. These have helped to share best practice and are designed to improve the way in which the PPP contract monitoring teams operate so as to achieve a much improved service from the private sector.

The team has also participated in the NHS Advisory Group for operational PPP projects and has worked with local authorities by way of regionally based collaborative networks.

Objectives for the year:

- Complete six in-depth reviews of operational PPP projects
- Complete at least eight targeted reviews which were started during 2013/14 and commence a further five targeted reviews
- Establish good practice guidance and share it for contract management of revenue funded hub and NPD colleges projects
- Deliver at least four collaborative contract management network events leading to increased awareness of contract rights and responsibilities along with potential savings
- Work with public bodies to establish collaborative working arrangements

CASE STUDY

Forth Valley Royal Hospital

This purpose-built hospital became fully operational in July 2011 and at the time was the largest construction project the NHS had undertaken in Scotland (capital value of £300 million). The new hospital provides a combination of 863 beds and day-care spaces spread over 25 wards and has 16 operating theatres.

Working together, SFT and NHS Forth Valley carried out a joint commercial review of the PPP contract and identified a one-off saving of £85,000 with potential additional annual savings of £309,000 for the duration of the contract. In addition, the review resulted in:

- Improved service as a result of changes to monitoring methods
- Changes in energy management and usage
- Revision to insurance sharing arrangements

This has allowed NHS resources to remain focused on the delivery of healthcare rather than being distracted by having to deal with operational matters which fall within the remit of the private sector partner.

“NHS Forth Valley very much welcomed the assistance and support that was gained through SFT’s in-depth review process. The review identified a number of opportunities for improvements to efficiency and effectiveness within our contract. I believe that all of those involved in the review, including our partners, learnt a lot about the finer detail of the contract and this has improved confidence, knowledge base and relationships.”

Tom Steele,

Director of Strategic Projects & Facilities, NHS Forth Valley



National Housing Trust

The SFT led National Housing Trust (NHT) initiative is making a real difference to thousands of people's lives across Scotland. There are two strands to the NHT programme; one is a joint venture with private developers and the other a joint venture with local authorities. Together these have the potential to deliver over 1,650 homes at affordable rent, worth £228 million.

As a direct result of SFT's work with private sector developers, contracts have been signed for 1,180 homes, valued at £173 million, with the potential for further investment through additional procurement.

With a focus on innovation, last year SFT trialled a new affordable-rent initiative – the NHT Council Variant – with Stirling Council as the lead partner. The Council Variant allows local authorities to either build or buy homes to be let at affordable-rent. This initiative in Stirling will, over time, see 170 homes purchased and let. Such has been its appeal that the Council Variant is currently being explored by a number of local authorities – Scottish Borders Council has also now entered into a joint venture with SFT for 200 NHT Council Variant homes.



Click on the image above to watch the Clackmannanshire Council case study

The coming year will see the housing team work with the Scottish Government to look at new ways of delivering affordable-rent housing across Scotland.

Objectives for the year:

- Support 22 developer led NHT joint ventures and have 800 homes completed
- Support Stirling and Scottish Borders Councils in the delivery of the NHT Council Variant with the aim of securing commitments for up to 100 homes
- Inform all councils of the opportunity to use the NHT Council Variant and quickly evaluate those with both the capability and housing market dynamics to support successful deployment
- Develop innovative models to increase the supply of affordable-rent housing
- Assess and support viable market-led housing initiatives

FAST FACTS

- Contracts signed for 1,180 new homes
- 30 individual NHT sites across 10 local authority areas
- 14 developers helping protect 1,700 jobs





Low Carbon and Energy Efficiency

The focus of SFT's Low Carbon and Energy Efficiency work stream is to facilitate investment in the public sector estate to help deliver Scotland's Climate Change Targets in a manner which delivers energy cost savings, supports local economic development and improve the existing estate for the benefit of users. The primary areas SFT is engaged with are, Non-Domestic Energy Efficiency, District Heating and Street Lighting.

Non-Domestic Energy Efficiency

The Scottish Government's Energy Efficiency Action Plan includes a Scotland-wide target to reduce energy consumption by at least 12%. This will require a significant investment into operational properties at a time of constrained capital budgets. During 2013/14, SFT's work in this area focused on developing investment routes to help public bodies achieve their targets.

For central government projects, the key focus is developing a commercial approach which facilitates private sector investment into the built environment to deliver both carbon savings and provide protection against future energy cost rises. These spend-to-save measures, backed by private investment and the Green Investment Bank allows energy efficient measures to be implemented that would otherwise not be possible.

SFT has worked with both Glasgow City Council and NHS National Services Scotland to understand the technical and practical implications of implementing energy efficiency measures and the associated energy saving and payback period. SFT is supporting NHS Scotland in the development of a Business Case to support a national energy efficiency programme with the potential to access private investment.

Objectives for the year:

- Develop innovative financing proposals and a contractual structure which can deliver energy efficiency investment within the central government estate
- Support the development of an investment programme across a central government sector covering provision for project development and aggregation; financing and delivery of energy efficiency works
- Support two pathfinder projects in their pre-procurement activity and into procurement
- Develop a best practice approach to designing and delivering energy efficiency works by developing and progressing a range of pathfinder projects

CASE STUDY

Non-Domestic Energy Efficiency Options Appraisal - Glasgow City Council's Primary School Estate

SFT supported Glasgow City Council in assessing the financial benefits of including energy efficiency measures in its planned refurbishment and upgrading of its primary school estate. By insulating walls and roofs and replacing windows and boilers within a programme designed primarily to improve the teaching and learning environment, significant annual energy cost savings could also be achieved.

The financial appraisal identified that with an additional investment of over £40 million, the council's annual energy costs in 106 schools could be reduced by an estimated 30%, worth nearly £5 million per annum at current prices.

District Heating

District heating has been identified as a core priority by Scottish Ministers, with the public sector playing a key role as a facilitator of district heating schemes as well as a significant generator and purchaser of heat. For the public sector to play its part in realising the Scottish Government's district heating targets, a range of complex issues need to be addressed, including how best to structure the commercial propositions and how to finance the public sector's contribution to these schemes. SFT was asked in 2013/14 to examine these issues as part of the Heat Network Partnership, which brings together key Scottish Government agencies working to support the public sector, business, industry, communities and households to develop heat networks.

During 2013/14, SFT supported Fife Council and NHS Fife to develop a joint business case to extend the existing district heating network in Dunfermline to Queen Margaret Hospital. Once approved, the project will enable the supply of low-carbon heat to the hospital, other Council and NHS properties and could eventually provide affordable heat to around 550 social housing properties, thus helping to alleviate fuel poverty.

Objectives for the year:

- Commercially support at least one district heating project in its pre-procurement activities
- Develop delivery structures which are appropriate for multi-agency district heating projects and can support the development of Scottish district heating projects

Street Lighting

In March 2013 SFT and the Society of Chief Officers of Transportation in Scotland (SCOTS) launched their street lighting toolkit thereby enabling all local authorities to undertake an assessment of the viability of energy efficient street lighting. An SFT study indicated that an investment of £300 million in LED lighting could deliver up to £900 million of avoided costs over a 20 year period.

Street lighting is now a major priority across Scotland. To advance that priority a steering group was established to identify and co-ordinate the support required by local authorities to take projects forward. The steering group comprises representatives from SFT, local authorities, Resource Efficient Scotland (RES), SCOTS, Scotland Excel and COSLA. Enabling measures have also been provided including Scottish Government grant funding for energy efficiency initiatives and RES support for condition surveys. The procurement of a Street Lighting Materials Framework was also initiated by Scotland Excel.

Objectives for the year:

- Facilitate local authority investment programmes to achieve a step-change in the energy efficiency of their street lighting estate through trebling the level of energy savings realised from 2013/14 levels
- Maximise the economic development benefits to Scotland through the use of appropriate skills and training programmes; research and development opportunities for Scottish companies; and economic opportunities associated with retrofitting existing lights

CASE STUDY

Dundee and Perth & Kinross Street Lighting

Following the publication of SFT's Street Lighting Toolkit in March 2013, both Dundee City and Perth & Kinross Councils have started to transform their residential and urban areas with modern and much improved LED street lighting and are already reaping the benefits. The new LED solution has not only helped reduce energy consumption and maintenance costs, but has provided a much better light quality that has improved safety and security.

On a number of Dundee's main roads and residential streets over 500 old-fashioned lights and fittings have been replaced by new LED street lights, and in Perth & Kinross nearly 800 old lamps are soon to be replaced. Already annual energy savings of 670,000kWh are expected, which will deliver annual savings of over £73k, representing an energy saving of 71% and a carbon reduction of nearly 7,000 tonnes of CO₂ over the 20 year life of the new lights. Furthermore, the long lifetime of 100,000 hours will reduce maintenance costs.

“Substantial progress is being made across Scotland in the development and delivery of street lighting energy efficiency projects as a result of the proactive approach taken by SFT and SCOTS. The ongoing support and collaboration of the steering group members will be key to realising the many benefits from these projects.”

Jack McAulay,

*Roads and Transportation Manager, West Dunbartonshire Council
and Chair of Street Lighting Steering Group*





Digital

Modern digital connectivity is an essential component of creating a successful country. For businesses and social enterprises, it enhances productivity and drives innovation. In rural communities it has the potential to boost economic development, retain young people and attract new residents.

In January 2012, the Scottish Government published 'Scotland's Digital Future: Infrastructure Action Plan' that set out a four staged approach to support the development of infrastructure needed to meet these demands.

Programme 1: Achieving a Step-Change by 2015 to address the current digital divide and put in place infrastructure in those areas that the market will currently not service, to ensure a step change in speeds by 2015. The outcome the Scottish Government is seeking is a significant uplift in speeds by 2015, with speeds of 40 – 80Mbps (megabits per second) for 85% to 90% of premises. This programme is now underway.

Programme 2: Achieving World-Class by 2020 is intended to address the longer-term plan, to ensure the right mechanisms, partnerships and commercial models can be developed to deliver world-class infrastructure in a sustainable way and in partnership with industry.

Underpinning these core infrastructure programmes are two additional programmes:

Programme 3: Demonstrating and delivering innovative and local solutions targeted at promoting locally based projects and programmes and also trialling new technologies.

Programme 4: Increasing take-up and stimulating demand is targeted at raising digital participation rates (for businesses and individuals) and raising demand for services – helping to improve the commercial case for investment and delivering better outcomes for Scotland.

Achieving World Class by 2020

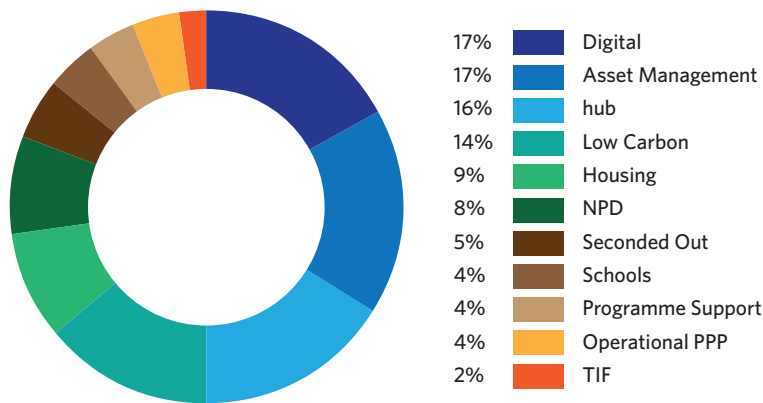
Building on the experience of establishing programmes of large-scale infrastructure development, SFT has been asked to lead this activity, working with Scottish Government, key public sector stakeholders and industry to establish a delivery strategy to meet the World-Class 2020 vision. This will include: scoping of digital infrastructure requirements; economic and financial modelling; and the development of a range of commercial structures and potential procurement routes with which to secure investment to develop the required infrastructure.

Objectives for the year:

- Continue to provide commercial secondment to Step Change 2015
- Establish a team with the relevant commercial and sector experience to develop the delivery strategy
- Develop a clearer understanding of the fixed and mobile infrastructure requirements
- Establish a route-map to deliver the infrastructure requirements and identify potential commercial approaches to deliver them

6.0 Budget

SFT’s operational budget is £8.313 million. SFT will manage the budget to take into account any changes in activity across its various work streams and is therefore fully committed without flexibility to take on additional activities in the year.



SFT Income	(£'000)
Core Budget	4,700
Digital	1,242
hub	850
Low Carbon	848
Secondments	418
Other Income	255
TOTAL	8,313

Work Stream	(£'000)
Digital	1,413
Asset Management	1,413
hub	1,330
Low Carbon	1,164
Housing	748
NPD	665
Seconded Out	416
Schools	333
Programme Support	333
Operational PPP	333
TIF	166
TOTAL	8,313

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	SG Capital		Other Capital
Roads NPD (M8 and AWRP – procured by Transport Scotland)	782							782	782				Rounded
Colleges NPD (Inverness, Glasgow and Kilmarnock)				287				287	287				Rounded
Acute Health NPD (5 projects procured by health boards)		510						510	510				Rounded
Community Health D&B (procured through hub by health boards)		280					280		250		30		Rounded
Community Health D&B (procured through hub by Health Boards)		120					120			120			Rounded
Other hub D&B (generally Local Authority Projects through hub)			220			260	480				480		Rounded
SSF Schools DBFM (procured through hub by Local Authorities)			670				670		530	20	140		Estimates Govt capital for DBFM investment
SSF Schools hub D&B (procured outside hub by Local Authorities)			260				260			80	180		Estimates
SSF Schools other D&B (procured outside hub by Local Authorities)			350					275		170	180		Estimates
Affordable Rent Housing NHT					195			160					Approximate
TIF (public sector infrastructure element of pilot TIF projects)						343		343					Approximate – early stage estimate
	782	910	1500	287	195	603	1810	2467	2359	538	390	1010	
	4277					4277		2897		1400			

This table does not take into account the additional £1 billion of funding to the NPD programme announced in April 2014 by John Swinney, the Cabinet Secretary for Finance, Employment and Sustainable Growth.



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