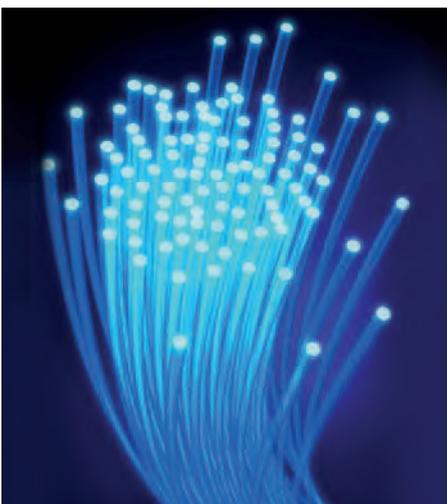
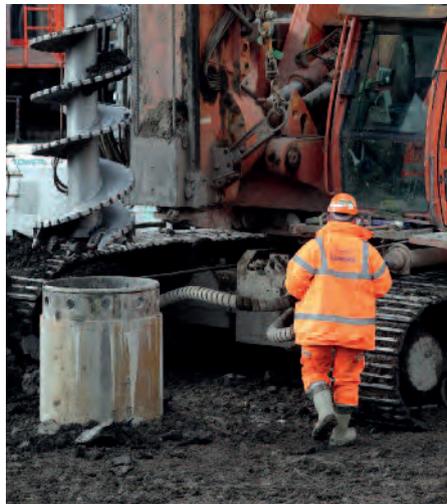


Corporate Plan

2014 - 2019



Contents

1.0	Introduction	2
2.0	Our purpose and values	5
3.0	Strategic context	6
4.0	Setting our priorities	9
5.0	Addressing our priorities	13
6.0	Demonstrating results	15
7.0	Governance	16

1.0 Introduction

This is the Scottish Futures Trust's (SFT) second Corporate Plan and covers the period from 2014 to 2019.

The Plan sets out the approach SFT will take, with its public and private sector partners, to build upon the work undertaken during the inaugural Corporate Plan period of 2009 to 2014. The business has evolved considerably during the last five years and our founding mission remains at the heart of everything we do: *'increasing the efficiency and effectiveness of infrastructure investment and use in Scotland, leading to improved value-for-money'*.

Whilst this is by nature a forward looking document, it is worth pausing to consider the range of work SFT has already undertaken and completed.

Some key achievements include:

- The development and delivery of the £2.5bn non-profit distributing (NPD) infrastructure investment programme – one of the largest of its kind in Europe – and as announced in April 2014, the Scottish Government has extended it by a further £1bn taking the programme value to £3.5bn
- Leading and driving forward the £1.25bn Scotland's Schools for the Future programme, delivering 67 high quality, sustainable schools for the budget of 55
- The development and procurement of the hub programme and establishment of the five territory partners that are building health and social care centres, schools and other community facilities with the vast majority of work flowing through to SMEs
- The establishment of the Tax Incremental Finance (TIF) pilot programme, the first of its kind in the UK, which will see c.£350m of public investment in Scotland and unlock a potential further £1.3bn of private sector investment
- The delivery of the National Housing Trust (NHT) that has secured approximately £200m of additional investment in affordable rent homes whilst maintaining many house building jobs

At its inception, the Scottish Government set SFT a challenging annual target of achieving between £100 - £150m of savings and benefits across its various work streams; this has been achieved. Cumulative savings and benefits have totalled over £600m during the first five years of operations. These have been secured in collaboration with local authorities, health boards, Transport Scotland, the Fire, Police and Ambulance Services, further education colleges and many other public bodies and private businesses.

Whilst much has been achieved, we view the progress over the last five years as the beginning of a much longer journey; indeed much of what has started will continue over the coming years. Many of the current programmes are on-going and will remain a focus for SFT, either in their current form or enhanced. These programmes have the potential to generate additional investment and further innovative approaches to financing and delivery.

In addition, we will also seek to work with the Scottish Government and other public bodies in new areas or sectors where there is an identifiable need for change in focus or significant investment required. SFT has already demonstrated the ability to adapt and develop its core commercial, technical and financial expertise into new areas of investment.

During the first Corporate Plan period, areas that have grown in importance across the public estate include; Asset Management – enabling the public estate to be suitable for future needs and responding to the tightened economic climate; and Low Carbon – seeking to meet the significant challenges of decarbonising Scotland’s infrastructure. SFT has supported the development and implementation of programmes in areas such as these to meet the challenges of change.

We anticipate that across the Scottish public sector, priorities for investment in new and existing assets, their effective stewardship and use of the whole public estate will continue to be driven by:

- Stimulating economic growth
- Improving public service delivery
- Supporting employment
- Enhancing community benefit opportunities
- Reacting to demographic trends; and
- Managing decarbonisation

Wherever the detailed priorities emerge and evolve, SFT will deploy the talents of our team to where they can make a real difference. We will take bold action in collaboration with our partners across Scotland to challenge the status quo – creating and driving forward new and ambitious ways of doing things. We do this with a public service ethos and deep understanding of the real constraints which are sometimes not shared to the same extent by private sector developers and advisors, alongside a dynamism and strong commercial perspective which traditional ways of working in the public sector do not always enable individuals to readily embrace.

SFT is a company wholly owned by Scottish Ministers and is accountable through its Board. In our inaugural Corporate Plan, we noted that SFT's operational independence would enable us to be ecumenical in our approach and recommendations, thereby allowing us to concentrate on the pursuit of value-for-money. We have seen the clear benefits this approach has afforded us over the last five years across our delivery programmes and we intend to continue to operate with the same approach during this Corporate Plan period.

We recognise that our work and resultant benefits are delivered in collaboration and partnership with other public bodies as well as the private sector – be that construction companies and their supply chain, asset owners or investors. We will seek to build on the existing strong relationships with all our partners to strengthen our collective ability and to improve even further, the efficiency and effectiveness of infrastructure investment in Scotland.



Sir Angus Grossart
Chairman



Barry White
Chief Executive

2.0 Our purpose and values

“Our purpose and values will guide the way we work and inform everything from our corporate priorities and approach to our work, through to the development of our people within the organisation.”

SFT’s first Corporate Plan was published in 2009 and established the following mission:

‘To improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value-for-money and improved public services.’

Five years on, this remains the fundamental purpose of the company and the people who work for SFT, and will underpin the work we will do during this five year Corporate Plan period.

Whilst this core purpose remains constant, the business has evolved and developed its own ethos, one that is unique to SFT. This has been captured in the core values developed by the SFT team as a statement of intent for those who work in SFT, but also as a guide for individuals and organisations with whom we work on a daily basis.

SFT’S CORE VALUES



3.0 Strategic context

“We operate in an ever-changing economic and social landscape, within which the priorities for our business over the next five years will be formed.”

3.1 Contribution of infrastructure to the economy

SFT’s first Corporate Plan was published against the backdrop of a global economic crisis and in the five years since public sector capital budgets have been significantly reduced across the UK. Based on current forecasts, most commentators anticipate this trend is very unlikely to be redressed over the next five years and this is not just a UK phenomenon; according to the World Economic Forum, global spending on basic infrastructure (transport, power, water and communications), currently amounts to \$2.7 trillion a year when it ought to be \$3.7 trillion¹.

It is therefore fundamentally important that we secure additional investment and that we invest in the right, well designed and sustainable assets necessary to support sustainable economic growth in the long term. Investment in public infrastructure remains an important contributor to the continuing recovery, especially in the construction sector; it provides a longer-term boost to growth prospects by stimulating productive business activity and can bring greater efficiency to the delivery of public services.

A significant amount of effort has been expended to determine how best to focus this vitally important investment to ensure it can deliver the maximum benefit on a global scale and across the UK from policy through to delivery: be that by the World Economic Forum² outlining a blueprint for investment policy; consideration of evidence based decision making by the The Armit Review³; or the broad body of work undertaken by Audit Scotland in relation to improving the planning and implementation of infrastructure investment.

We believe that continuing to improve the long-term strategic planning of infrastructure is crucial to supporting economic growth and that SFT is well placed to influence that decision-making. However, as an organisation, SFT does not develop the policies which determine the priority sectors, programmes or projects into which public sector investment is made; the final decisions on these matters sit with Scottish Ministers. Our primary focus is to ensure that in the transition from policy making to implementation on the ground, best value is achieved during the planning and implementation phases of programmes and projects. We are able to do this best across coordinated investment and change programmes where our centralised pool of skills and knowledge can be leveraged most widely. SFT will also work with a wide range of stakeholders in considering and developing the recommendations of the recent Scottish Government Construction Procurement Review⁴.

SFT’s skills are deployed in the innovative combination of sources of funding and financing to allow acceleration of projects that would otherwise need to wait for a significant time for capital budgets to become available. Through our various programmes, £4bn of additional investment over and above capital budgets has been secured with the potential being created for a further £2bn of private sector led investment to follow. Continuing this innovation will remain at the heart of the organisation over the coming period.

¹ <http://www.weforum.org/reports/infrastructure-investment-policy-blueprint>

² http://www3.weforum.org/docs/WEF_IU_StrategicInfrastructure_Report_2012.pdf

³ <http://www.armittreview.org/>

⁴ <http://www.scotland.gov.uk/Resource/0043/00436662.pdf>

3.2 Scottish infrastructure investment context

The existing programmes and initiatives being led by SFT collectively contribute to the delivery of the Infrastructure Investment Plan (IIP) and as such support both the Scottish Government's purpose, '...creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth', and its strategic objectives of making Scotland wealthier and fairer, smarter, healthier, safer and stronger, and greener. Working with all public bodies and other stakeholders, we will continue to do so.

Highlighted on the following pages are some specific ways in which we will contribute to the implementation of these strategic objectives.

Wealthier and fairer

Additional investment over and above capital budgets is a significant contributor to sustainable economic growth, and we will continue to explore innovative approaches to financing infrastructure across all our current and new activities.

We are focused on driving forward greater value-for-money in financing and delivery, enabling investment to be as efficient and effective as possible; this has already been demonstrated across our programmes with historically low overall costs of finance being achieved.

Our work to date in housing has increased investment in affordable-rent housing across Scotland, and we see the acceleration and increase of this investment as a critical focus for our effort over the next five years.

Supporting public service reform through partnership working and developing approaches to 'place' will be an increasing focus for activity across a number of our work streams.

On-going investment in key economic infrastructure, that is providing connectivity such as NPD roads (M8/M73/M74 bundle and Aberdeen Western Peripheral Route) and the World Class 2020 digital programme will continue to be supported.

Smarter

Delivery of new schools and colleges create stimulating environments that help inspire students and teachers and encourage them to achieve more. Our leadership of the Scotland's Schools for the Future programme and the NPD college projects helps create the right conditions for this to be achieved across Scotland.

We will continue to embed in our wider programmes the creation of learning and skills development opportunities, and encourage the promotion of apprenticeships.

Improvements to digital infrastructure will enable new ways of working and increase connectivity for communities, businesses and the provision of public services.

Healthier

The development and provision of excellent health facilities for people across Scotland sits at the heart of the hub programme that enables more efficient and effective delivery of infrastructure to support the joint service commitments by health boards and local authorities.

The NPD programme has enabled £750m of investment in health facilities such as the new Royal Hospital for Sick Children in Edinburgh and a new-build Dumfries and Galloway Royal Infirmary.

Asset management and the hub programmes are both supporting the role of 'place' in the integration of health and social care. A new reference design for a joint health and social care facility has been developed to support future investment programmes.

Safer and stronger

The hub and asset management programmes have key roles in supporting thriving communities in Scotland and making those communities safer and stronger. Across both these programmes, all the key partners in planning the provision of community-based facilities and services (the NHS, local authorities, Fire and Police Services and community led organisations) can come together to deliver an integrated approach to planning, design and implementation.

Greener

Our low carbon work is directly focused on the development and implementation of financially sustainable low carbon programmes in the public sector across a spectrum of energy efficiency and low carbon generation initiatives.

Across all our programmes we give high importance to environmental sustainability, and this forms a strong underlying component within our delivery programmes; through good design, energy efficiency and sourcing of materials.

4.0 Setting our priorities

“It is essential that we maintain the focus on delivery of our on-going activities, balanced with the need to retain the flexibility and agility to respond to new priorities that will emerge.”

4.1 Delivering and building on existing commitments

Within this strategic context, SFT will continue to deliver across a wide spectrum of public sector infrastructure investment priorities. Whilst a considerable amount has already been achieved, there is still a significant amount of on-going work across existing SFT programmes to be carried forward during the 2014-2019 Corporate Plan period.

In establishing SFT’s priorities, we will seek to strike the right balance between our on-going commitments and our emerging opportunities.

SFT invest

A significant number of projects in the current £2.5bn NPD programme are being built with the remaining projects due to start construction during the first two years of this Plan. Support to the pipeline of current projects will continue into construction and beyond through the appointment of SFT staff as Public Interest Directors of the companies building the projects. Following the announcement in April 2014 by Scottish Government that it is to invest an additional £1bn in the NPD programme, we will also lead the development and delivery of this extension to the programme.

All TIF pilot projects are anticipated to have approval by the end of 2014. We will continue to support their implementation and develop further innovative economic infrastructure investment models that will stimulate additional private investment and accelerate economic growth and job creation.

SFT Investments (SFTi) has acted as a public sector investor in school and community health projects procured through hub. SFTi will continue to hold membership of the NHT LLP, hubCo and NPD Project Boards. We will continue to seek further investment opportunities and to deploy returns to add value through re-investment or supporting on-going activities.

SFT is leading programmes delivering investment in excess of £4bn over and above capital budgets. SFT will continue to seek out and build on opportunities for additionality of investment with value-for-money, wider economic impact and affordability as guiding principles.

SFT build

All five hub territory joint ventures have been established with public and private sector participants working together to deliver substantial pipelines of projects. Development of joint premises in order to support integrated public service delivery will remain a core objective of hub. SFT will continue to provide central support to the territories in delivering their plans.

We will continue to lead the current £1.25bn Scotland's Schools for the Future programme. The early work in the programme has secured 67 schools within the budget for 55. SFT will continue to work collaboratively with local authorities in delivering high quality, great value-for-money schools.

Supporting SME involvement, prompt payment terms, design excellence, whole-life costing and building capacity through collaborative working will continue to guide our work in these areas which are all part of SFT's work in implementing a number of recommendations from the Review of Scottish Public Sector Procurement in Construction.

SFT home

Existing initiatives have secured some 1,500 mid-market rent homes and shifted thinking about how the public and private sector can provide affordable homes, particularly in the mid-market rental sector. Existing NHT developments, including the 22 joint ventures with the public and private sectors, will continue to be supported by SFT.

Developing new affordable housing opportunities, including new financing models in partnership with the public and private sectors will continue to be a major part of our work.

SFT place

The initial five year Asset Management implementation programme will continue to at least 2017 with clear potential to continue beyond that. Working with central and local government bodies, SFT will focus on the rationalisation of office and storage space and the improved disposal of surplus property so as to achieve both capital receipts and generate economic activity.

'Place' based planning and collaborative management of assets will continue to be developed throughout the next five years.

Reviews of existing PFI and PPP contracts will continue to seek high quality service delivery and improved value-for-money.

 **SFT green**

The development of a programme approach to energy efficiency investment is on-going and implementation is anticipated to continue well into the 2014-2019 Corporate Plan period. As a result, this period will see significant investment in street lighting, non-domestic energy efficiency and district heating.

SFT will continue to develop spend-to-save measures capable of being deployed either with public sector money or in partnership with the private sector where they will recover their costs over time. SFT will continue to work closely with the Green Investment Bank and other providers of finance to secure the necessary investment on advantageous terms.

 **SFT connect**

SFT has been asked by the Scottish Government to develop an approach to build upon the opportunities and to confront the challenges associated with the provision of a truly world class digital infrastructure for Scotland by 2020. The scale of the requirement is likely to be significant, and the market within which this provision needs to be considered is a complex one that requires the engagement of a wide range of stakeholder groups. SFT is well positioned to assess and develop the range of commercial and financial structures that will be needed.

4.2 Meeting changing needs

As has been evidenced during the first five years of SFT's existence, change is constant. The need to explore and embrace new initiatives and approaches was clearly articulated in SFT's inaugural Corporate Plan. Many of SFT's current activities such as the NPD programme, Housing, Asset Management and Low Carbon have been developed in line with the principles set out in that Plan, rather than being known about in detail when it was written.

Maintaining a clear focus on the successful completion of our existing objectives and commitments is clearly an important requirement for SFT. In addition, the ability to explore and develop new initiatives and innovative approaches is also a key component to the success of the organisation going forward, as is the requirement of the organisation and our people to adapt to the needs of the external environment and key stakeholders.

In determining potential areas where new activities could be focused, there are a number of key features – not all of which would need to be contained in any given new area – that will help determine the need for future SFT involvement. These features would lead to a focus of activity on areas that:

- Are important to Scotland's economy or public service transformation
- Require significantly changed ways of working or commercial innovation to succeed
- Operate in a complex multi-stakeholder environment
- Adopt a programme approach as opposed to a series of individual projects
- Have limited historical precedent for public sector involvement
- Respond to market failure
- Would benefit from the development of replicable commercial structures
- Require a rapid commercialisation and delivery to either exploit a short-term opportunity or to address an immediate need
- Could see elements of technical approach or design implemented widely to secure common benefits

5.0 Addressing our priorities

“We have established a team of people with a unique combination of technical, commercial and financial expertise within the public sector; we will focus this resource on the areas of activity where we can have the greatest impact, additionality, collaboration and innovation.”

In addressing our priorities we rely on a team with a unique combination of technical, commercial and financial expertise. Across our work areas those skills are deployed to achieve additionality, collaboration and innovation.

5.1 Our people

Developing the right team of people is critical to the success of any business and over the last five years SFT has built a team of over 60 talented professionals drawn from public and private sector backgrounds, who have a wide range of technical, commercial and financial skills. The team will continue to bring extensive commercial expertise in infrastructure development, financing, procurement, delivery and use into the public sector. We will work across teams to ensure best practice is maintained; expertise is retained and innovation can flourish. We will continually seek to retain and recruit the highest calibre people in order to sustain our ability to develop fresh thinking and innovative delivery. Our current size and structure allows us to be flexible and nimble, and these attributes remain important in enabling us to maintain our focus and optimise the skills and experience of our people.

5.2 Additionality - investing more

The ultimate funding for infrastructure comes from either: current public capital budgets; public budgets in the future as borrowing is repaid and assets are used; savings released; or user charges such as rent for housing. Where borrowing is to be used to provide additional investment, either using public debt with newly established borrowing powers or privately sourced finance from pension funds and banks, we will retain our focus on value-for-money and affordability. The SFT saying *‘pay as you build or pay as you use, but pay you must’* is ingrained into our thinking.

However, public and private finance is still constrained and there is a continuing need to invest or stimulate investment in infrastructure. This investment need straddles both the more traditional areas such as transport, schools and hospitals and newer sectors such as digital and low carbon infrastructure. A key success of much of SFT’s early work has been to help create this additionality in investment; this has been through (i) leveraging private finance to invest if the public sector does not have the immediate capacity; and (ii) through utilising public sector finances to attract additional private finance to invest in developments that would not have been possible without this stimulus. We will continue to focus on future additionality opportunities.

5.3 Collaboration - working together to save money and improve services

SFT's objectives and activities can only be achieved in collaboration and partnership with others in both the public and private sectors. Our experience is that successful collaboration delivers considerable benefits to all parties. One aspect to this has been the increasing recognition and importance of 'place' as a focus for change, accompanied by a focus on a more collaborative approach to strategic planning and delivery across a range of organisations and sectors. SFT will continue to act as an enabler and facilitator of change and catalyst for collaboration.

5.4 Innovation - changing the status quo

SFT is a developer of ideas and a catalyst for innovation. As an organisation we are uniquely placed in the public sector to exploit the benefits of our involvement across a range of sectors including businesses, financiers, suppliers and users. We are able to assess the potential of ideas in one area of activity that can be applied elsewhere, or adapted to meet a new or different need.

6.0 Demonstrating results

“We are focused on the delivery of outputs and outcomes, be that in the form of improved or new infrastructure or ways of working; we will provide robust evidence to demonstrate the benefits and savings our approach to this can achieve.”

6.1 Measuring the benefits of SFT's work

As noted in our first Corporate Plan, a challenge in measuring benefits is that today's work will often yield benefits that as programmes move from planning into procurement and delivery can be estimated now, but are only realisable over the coming years. Based on this principle, for each full year of operation, SFT has published an independently validated annual benefits statement that in the first five full years of SFT's operations, identified more than £600m of cumulative benefits and savings. The annual benefits statement has been extended to cover the wider benefits of SFT's work including the impact on jobs, carbon emissions, SME engagement, training and apprenticeships.

6.2 Range of benefits and savings 2014-2019

Over the five year period of this Corporate Plan, SFT will seek to secure a further £500-£750m of benefits and savings. This target is achievable based on projected spend levels but will continue to rely on collaborative working with public bodies and the willingness to structure future investment in programmes. The focus on wider benefits will also be maintained with excellent sustainable design, SME workload, developing skills and reducing carbon emissions as areas to be reported on.

6.3 Reporting on savings and benefits

The benefits of our work are clearly evidenced on the ground. For example, £200m of innovatively financed housing is being built; £160m of investment is underway through the use of TIF, and 67 schools will be built for the budget of 55. There are clear financial benefits to our work. There are also many wider benefits that are, arguably, as, or in some cases more, important than the pure financial benefits. In the examples above the wider benefits include: supporting jobs in the housing industry; providing affordable homes to those in and around median income; unlocking private sector investment to support economic growth and allowing an extra 12,000 children to have modern and inspiring learning environments. The social impact of SFT's innovative work in the housing sector across Scotland has allowed families to remain in their communities to live in quality, affordable-rent housing.

Good work has already been done in capturing some of the wider benefits in the existing reporting structure. This Corporate Plan period will see added emphasis on documenting wider benefits in addition to financial benefits, as we move towards a balanced business scorecard approach. Our reporting on benefits will continue to be validated by external parties.

7.0 Governance

SFT is held to account by its Board. The Board has seven members, five of whom are non-executive, as well as two executive members, SFT's Chief Executive and SFT's Deputy Chief Executive and Director of Investments.

Our relationship with the Scottish Government is governed by an Agreement which is available to download from SFT's website [here](#).

Our external auditors are appointed by the Board.

We publish an annual company report and accounts.

Business Plans will be produced on an annual basis. In them we will summarise the activity undertaken by SFT over the previous year, set out the key work streams for the year ahead, the objectives that we have set for each of these and where the deployment of our resources will be prioritised.

Scottish Futures Trust
October 2014

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