SCOTTISH FUTURES TRUST

Supporting Material

July 2012

Introduction

This supplementary document contains supporting material for each of the individual benefits identified. Each benefit is listed on the following contents page and has a section setting out the nature of the intervention made by SFT that delivered the benefit, and the assumptions and methodologies used in its quantification. This document should be read in conjunction with the associated excel work book (SFT Statement of Benefits 2011-12 - Calculations), a copy of which is available on SFTs website at **www.scottishfuturestrust.org.uk/publications/benefits**

£/t	Cost per tonne.
BREEAM	Building Research Establishment Environmental Assessment Model. An environmental assessment method and rating system for buildings, it sets the standard for best practice in sustainable building design, construction and operation and has become one of the most comprehensive and widely recognised measures of a building's environmental performance.
Capex	Capital (construction) cost
CCS	Construction Skills Scotland - Sector Skills Council and Industry Training Board for the construction industry, governed by a non-executive Board, who are appointed by the Secretary of State for Business, Innovation and Skills.
CEC	City of Edinburgh Council
CMAL	Caledonian Maritime Assets Ltd. – the company, wholly owned by the Scottish Government with the Scottish Ministers sole shareholders, which owns the ferries, ports, harbours, and infrastructure for ferry services serving the West coast of Scotland and the Clyde Estuary.
COSLA	Convention of Scottish Local Authorities
D&B	Design and Build – form of infrastructure procurement paid for from capital budgets as the asset is built
DBFM	Design, Build, Finance and Maintain – form of infrastructure procurement including asset maintenance and financing, with payment over time as the asset is used.
DEFRA	Department for Environment Food and Rural Affairs (Whitehall), with responsibility in England and Wales for waste.
Designed for Life, Wales	A 10 year strategy for health and social care in Wales established by NHS Wales
DoE	Department of Environment (now part of DEFRA, Department for Environment, Food and Rural Affairs)
EPC	Energy Performance Certificate – providing information on a building's energy use and carbon dioxide emissions including a recommendation report with suggestions to reduce energy use and carbon dioxide emissions. Provided by an accredited Energy Assessor. There is an obligation to carry these out under the Energy Performance of Buildings Directive (EPBD) administered through the Scottish Building Standards Agency.
EPC	Engineer, Procure and Construct – An entity who take responsibility for the design, procurement and construction of a project.
ESA95	European Union publication detailing the public versus private classification of assets and expenditure for national accounting purposes (European System of Accounts)
FBC	Full Business Case – produced for major infrastructure investments prior to contract award
FC	Financial Close – the contract award of a complex project
FM	Facilities Management
FRC	Forth Replacement Crossing project
GCC	Glasgow City Council
HMT	Her Majesty's Treasury
hub PDO	hub Programme Delivery Office – Central support function provided by SFT to the hub programme in Scotland
HubCo	The company incorporated as a public private partnership between local participating public bodies (Councils, Health Boards etc) and a private sector partner to deliver the hub programme
IRR	Internal Rate of Return – a way of measuring profit or value
ITPD	Invitation To Participate in Dialogue – a form of invitation to tender for complex projects
IUK	Infrastructure UK – UK national level infrastructure body following discontinuation of Partnerships UK
KSR	Key Stage Review – a multifaceted review of a project carried out at key stages of its development and procurement to recommend improvements and increase confidence in outturn predictions
LAs	Local Authorities
LP	English procurement organisation owned jointly by Government and Local Authorities
MLC	Midlothian Council

MSFM	Management Statement and Financial Memorandum – the SFT's governance document with Scottish Government as its Shareholder
NAO	National Audit Office
NHT	National Housing Trust – an innovative procurement of affordable housing using Local Authority borrowing and private developer equity run by the SFT
NI	Northern Ireland
NLC	North Lanarkshire Council
NPD	Non-Profit Distributing - A form of infrastructure procurement where the asset is paid for as it is used, with profits returned to the public sector
N-RIP	National Renewables Infrastructure Plan – A report carried out by Scottish Enterprise and Highlands and Islands Enterprise to support the development of a globally competitive offshore renewables industry based in Scotland.
OBC	Outline Business Case- produced for major infrastructure investments prior to launching a procurement
OECD	Organisation for Economic Co-operation and Development - provides a forum in which governments can work together to share experiences and seek solutions to common problems. Works with governments to understand what drives economic, social and environmental change, through data collection and analysis.
OGC	Office of Government Commerce - an independent office of HM Treasury, established to help Government deliver best value from its spending.
OGC Gateway	The Office of Government Commerce Gateway Process examines programmes and projects at key decision points in their lifecycle.
OJEU	Official Journal of the European Union – the document in which public procurements are first advertised to the market
OMR	Operations, Maintenance and Replacement cost
PB	Preferred Bidder – the successful party in a procurement, subject to final negotiation / clarification
PFI	Private Finance Initiative - A form of infrastructure procurement where the asset is paid for as it is used, with profits returned to the private sector
ph	Per hour
PPP	Public Private Partnerships - A generic term for infrastructure procurement where an asset is paid for over time, or services procurement where public and private sectors work together
PQQ	Pre-Qualification Questionnaire – a procurement process to select capable bidders from responses to an advertisement
Pre-IFT	Pre-Invitation to Final Tender – referring to the stage in the procurement process that a Key Stage Review (KSR) takes place
Pre-ISOS	Pre-Invitation to Submit Outline Solutions – referring to the stage in the procurement process that a Key Stage Review (KSR) takes place
Pre-ITN	Pre-Invitation To Negotiate – referring to the stage in the procurement process that a Key Stage Review (KSR) takes place
Pre-PB	Pre-Preferred Bidder – referring to the stage in the procurement process that a Key Stage Review (KSR) takes place.
Procure 21	A framework agreement with six Supply Chains (PSCPs) selected via an OJEU Tender process for capital investment construction schemes across England up to 2016. An NHS Client or joint-venture may select a Supply Chain for a project they wish to undertake without having to go through an OJEU procurement themselves.
PSDP	Private Sector Development Partner
PUK	Partnerships UK – UK national level infrastructure body (now absorbed into IUK)
RHSC/DCN	Royal Hospital for Sick Children and Department of Clinical Neurosciences Project
RSG	Revenue Support Grant

RSL	Registered Social Landlord
SEPA	Scottish Environment Protection Agency
SFT	Scottish Futures Trust
SG	Scottish Government
SG FPU	The former Scottish Government Financial Partnerships Unit
SIB	Strategic Investment Board – infrastructure body in Northern Ireland
SME	Small and Medium Enterprises
SoPC4	Standardisation of PPP Contracts Version 4
SPS	Scottish Prison Service
TIF	Tax Incremental Financing – an innovative form of funding infrastructure to unlock regeneration by hypothecating future property taxes from the economic growth unlocked to repaying debt raised to pay for un-locking infrastructure, led in Scotland by SFT
UC	Unitary Charge – the annual charge made by the private sector partner over a period for the use of assets procured under PPP arrangements
URC	Urban Regeneration Company
VfM	Value for Money
WLC	West Lothian Council
WRAP	Waste & Resources Action Programme – A body established to help businesses and individuals reap the benefits of reducing waste, develop sustainable products and use resources in an efficient way
ZWS	Zero Waste Scotland

Contents

Benefit Ref & Title:	**A1 - SFT Consolidated Avoided Cost Benefit**
Description:	In the last two annual benefits statements circa 90% of reported financial benefit stemmed from the top 10 to 12 benefits reported in each year. In the same two years circa 70% of the reported financial benefits each had a reported benefit of less than £1m and in aggregate accounted for less than 10% of the overall benefit total. Of these low value benefits, the majority fell into the "avoid cost" category. This year SFT has therefore elected to consolidate each of the avoided cost benefits that have a reported value of less than £1m into a single consolidated cost avoidance benefit.

Benefit Ref & Title:	A1 - SFT Consolidated Avoided Cost Benefit
Description:	**2011/12 Benefit Quantification & Realisation Update** This benefit consolidates the following benefits reported in SFT's 2011/12 statement. **A1** Key Stage Reviews - PUK KSR Costs Avoided **A2** Waste - Gateway Review Costs Avoided **A3** Waste - Data Capture and Market Engagement **A4** Waste - Programme Support **A5** Waste - Procurement Cost Benefits - Avoided Support Costs **A6** ESA 95 - Consultancy Costs Avoided **A7** TIF - Consultancy Costs Avoided **A8** NHT - Consultancy Costs Avoided **A9** URC - Consultancy Costs Avoided **A10** CMAL - Consultancy Costs Avoided **A11** Collaborative Housing - Consultancy Costs Avoided **A12** Waste - Avoided Abortive Advisory Costs Clyde Valley **A13** Waste - Avoided Advisory Costs - Projects other than Clyde Valley **A14** Waste - Avoided Advisory Costs - Clyde Valley **A15** Waste - Avoided Disposal Costs - Clyde Valley **A16** Waste - Food Treatment Support **A18** Avoided Consultancy Costs - NPD Contract **A19** hub - Consultancy Costs Avoided **A20** hub performance management - avoided costs **A21** Asset Management - Avoided Cost of Pilot Development Work (Consultancy Costs Avoided) **A22** Optimism Bias & Contingency Management Review - Development Work **Value:** The basis for estimating the value of this consolidated benefit is as follows: 25 professional staff at an average avoided external consultant charge out rate of £1,200/day spending 1/3 of their available time doing work that would otherwise be undertaken by external consultants. **25 x £1,200/day x 224 working days x 33% utilisation = £2.2m per annum.** **Profile**: The above value is attached to each benefit year to date. **Sharing**: The 100% SFT. **Confidence:** The confidence factor – A. **Phasing:** The total benefit is recognised over each of the benefit years to date (i.e. 3)
Sharing:	SFT – 100%
Confidence:	A - Certain
Benefit Recognition Phasing:	9/10 – 33%, 10/11 – 33%, 11/12 – 33%

Benefit Ref & Title:	**A2 - Waste – Service Cost Benefits (Avoided Future Contract Variations)**
Description:	The basis for this benefit is reducing the risk of one or more of the planned local authority waste treatment projects procuring a service that is subject to a major contract variation in the early years of service delivery. SFT has undertaken a range of measures to help secure affordable and value-for-money gate fees for both residual and food waste treatment projects. For operational and financial reasons some waste infrastructure projects have needed to be procured in parallel with the Scottish Government developing its long-term waste policy, and SEPA developing revised regulations and guidance to implement the Scottish Government's policy objectives (contained in the Zero Waste Plan). SFT has provided a key role in ensuring that current and future projects are kept fully informed of policy and regulatory developments to ensure that the final solutions and associated contract terms realise a service that is aligned to Scottish Government policy and future regulations. Should SFT not have undertaken this role, there is a risk that at one or more of the five waste infrastructure projects that SFT is supporting may have had to incur a material contract variation early in the contract term. Having to retrofit an existing facility in a non-competitive environment is likely to be significantly more expensive than resolving the matter during the procurement period when there is still a competitive environment and before construction has commenced.

Benefit Ref & Title:	A2 - Waste – Service Cost Benefits (Avoided Future Contract Variations)
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. During 2011/12 SFT has continued to work with many local authorities on their residual waste treatment initiatives. This year, in addition to working with Glasgow City Council, the three Ayrshire Councils, North Lanarkshire Council, Renfrewshire Council, East Dunbartonshire Council and East Renfrewshire Council (the Clyde Valley Group), and the Joint Edinburgh and Midlothian Zero Waste Programme, SFT has been invited to join the waste treatment Steering Groups established by Dundee & Angus Councils, and Aberdeen City Council as well. **Value**: The basis for estimating the value of this benefit assumed one project avoiding a £5m contract variation repayable at 7% over twenty years; being equivalent to a £470k/yr increase in the annual service charge for the project. This assumption remains unchanged. **Profile:** It is considered prudent to put the date at which such repayments would commence back to 2020, given the Scottish Government's revised timeline for implementing landfill bans. Given that the waste projects SFT are supporting will be secured under long term service contracts, as a variant to the Most Likely Benefit Scenario (Scenario 4), SFT has extended the profile of this benefit beyond the 10-year cut-off period. **Sharing:** The 50% sharing with local authorities remains unchanged. **Confidence:** The confidence factor remains at 'D' Moderate as discussions are still on-going with many of the projects that SFT is supporting. **Phasing**: Given the ongoing development of the Waste Management (Scotland) Regulations, and in particular the timeline for the introduction of a landfill ban on biodegradable municipal waste being put back to 2020, it is considered appropriate to adopt the following revised phasing. 9/10 – 15%, 10/11 – 20%, 11/12 – 25%, 12/13 – 25%, 13/14 -15%
Sharing:	SFT – 50%, local authorities – 50%
Confidence:	D – Moderate (55%) – Discussions on going to put plans in place
Benefit Recognition Phasing:	9/10 – 15%, 10/11 – 20%, 11/12 – 25%, 12/13 – 25%, 13/14 -15%

Benefit Ref & Title:	**B1 - TIF – Development of the Model**
Description:	The basis for this benefit is the creation of additional investment which, but for the development of this a new initiative, would have been unlikely to happen. SFT has worked throughout 2009-2012 to develop the TIF model for Scotland, working closely with Scottish Government and the three initial TIF pilot projects: Edinburgh Waterfront (City of Edinburgh Council (“CEC”)); Buchanan Quarter (Glasgow City Council (“GCC”)) and Ravenscraig (North Lanarkshire Council (“NLC”)), to shape and deliver TIF. It is forecast that these first three pilot projects will bring forward c.£246 million of public sector investment and further unlock more than £1.5bn of private sector. In relation to the Edinburgh project, following the take-over of Forth Ports by Arcus and the announcement by Scottish Government of Leith being named as an enterprise zone in 2011, work continues to clarify the nature of the TIF project. For the purposes of the benefits statement, [the value of the Edinburgh project has been maintained as per the 2011/2012 benefits statement, however, the timing of the expenditure has been delayed. The value of the Glasgow project has also reduced slightly as the project has evolved, whilst the timing of the capital spend of the Glasgow and Ravenscraig has also been amended to reflect the status of the projects. Alongside, the original pilot projects, SFT and Scottish Government ran a process to identify a series of further pilot projects. This resulted in Argyll & Bute, Falkirk and Fife being chosen and Aberdeen being selected by Scottish Government to move to the production of TIF business cases in support of proposals within these regions. The public sector investment related to these projects has been forecast as £SFT's key role in TIF has been / is to: Develop and deliver the TIF structure for Scotland; Provide guidance for key partners and stakeholders, and ultimately create a model that can deliver across Scotland Work with Local Authorities and other interested parties, to explain the TIF structure and help them bring forward appropriate projects; Support authorities in their TIF projects & assessing Business Cases; Undertake a diligence role to ensure that projects are ready to proceed, and that key public sector investors understand the risks associated with TIF and how they can be addressed; and Ultimately recommend projects, as appropriate, to the Scottish Government. To date this has included the Edinburgh, Ravenscraig and Glasgow projects.

Benefit Ref & Title:	B1 - TIF – Development of the Model *(continued)*
Description:	As TIF moves into operation, SFT has and will continue to finalise and document the operational model and detailed agreement between Government and the Local Authority. SFT will also have a long term involvement in the TIF projects through the governance arrangements. This will allow SFT to draw upon the lessons learned for future proposals, as well as bring our commercial capability and understanding to bear for the benefit of the project in the future. In this regard, meetings have been held in relation to the Edinburgh and Ravenscraig projects.

Benefit Ref & Title:	**B1 - TIF – Development of the Model**
Quantification:	**2011/12 Benefit Quantification & Realisation:** The basis of the quantification was set out in SFT's 2010/11 benefits statement. During the past year, SFT has continued to work the original projects and new pilot projects alike. As highlighted above a number of changes have been factored into the projects to reflect their ongoing position. Therefore the following changes have been made: **Value** The value of the Glasgow project ash been reduced slightly to reflect changes to the project and the supporting business case. This saw a reduction in the public sector capital value of the project of £3.5m. **Profiling** The profiling of the Edinburgh, Glasgow and Ravenscraig projects has been changed to reflect the current understanding of the different projects. The profiling of the public sector capital spend on the new pilot projects, is based upon the current understanding of those projects. IN relation to the profiling of the new pilot projects, these have been pre-rated based upon the expected period of development for the different TIF assets. Given the above, and based upon the detailed business cases and currently available information, the three business cases developed to date for the pilot projects in Edinburgh, Glasgow and North Lanarkshire, alongside the new pilot projects estimates the public sector capital values of the projects as follows: **Wave 1 pilots** Edinburgh £84.1m Glasgow £80.0m Ravenscraig (North Lanarkshire) £78.0m Total £242.1m **Wave 2 pilots** Aberdeen £92.0m Argyll & Bute £19.6m Falkirk £52.0m Fife £17.0m Total £180.6 **Wave 1 and 2 Total** **£422.7**

Benefit Ref & Title:	B1 - TIF – Development of the Model *(continued)*
Quantification:	Benefits have been profiled based upon the currently available information relating to the public sector enabling infrastructure spend. This spend is expected to be delivered between 2012/13 and 2021/2220. Noted below is the forecast annual public sector capital expenditure for the current pilot projects: 2012/13: £20.44m 2013/14: £87.38m 2014/15: £112.53m 2015/16: £96.12m 2016/17: £11.24m 2017/18: £21.91m 2018/19: £37.14m 2019/20: £24.29m 2020/21: £6.45m 2021/22: £5.2m Total: £422.7m
Sharing:	33% SFT. Other parties involved: Local authorities and Scottish Government.
Confidence:	C – Good - Plans are in place to deliver the benefit but some third party commitment remains outstanding and/or significant stages remain outstanding to deliver the anticipated benefit. – 75%
Benefit Recognition Phasing:	2009/2010 – 40% 2010/2011 – 25% 2011/2012 – 15% 2012/2013 – 20%

Benefit Ref & Title:	**B2 – NHT Phase 1 – Development of the Initiative**
Description:	The basis for this benefit is the creation of additional investment which, but for the creation of this new initiative, would have been unlikely to happen. SFT worked closely with Scottish Government and a number of local authorities and developers in a challenging financial climate on the implementation of the National Housing Trust ("NHT"). The NHT initiative seeks to deliver affordable housing for rent in areas where there is a shortage of appropriate accommodation, through the public and private sectors working in partnership. The forecast of the capital value of NHT phase 1 is £102m which, but for the development and implementation of the NHT model it is unlikely that this additional investment would happen in the current economic climate. Following the success of the NHT phase 1, phase 2 was also launched into the market in November 2011 and the procurement process is well underway. This is discussed in greater detail under B3. The NHT initiative has also been a catalyst for wider discussions in the housing market relating to the delivery of affordable housing and further innovation in the funding and financing of projects. The SFT project team, alongside the Scottish Government and the local authorities, has been responsible for developing the model, devising the procurement strategy to ensure the model is attractive to both the private and public sectors and rolling out the initiative to the wider market. SFT's activities have included: Developing the original business case and the NHT model, providing thought leadership, and leading on delivery across Scotland; Leading the development, and subsequent updating for phase 2, of all the tender and contract documents and liaising with both local authorities and suppliers/developers to get both groups comfortable with NHT; Acting as the central purchasing body, which sees SFT have the responsibility of coordinating and leading the procurement of NHT on behalf of its participants; Receiving bids, undertaking the evaluation of bids and recommending short-lists to local authority partners for approval; Working with Scottish Government, local authorities and the private sector to maintain their support for this new initiative and sign deals. SFT will also have a long term involvement in the governance of the NHT initiative. This will allow SFT to draw upon the lessons learned for future proposals, as well as bringing our commercial capability and understanding to bear for the benefit of the project in the future. The first phase of NHT was formally launched in September 2010, with project completions achieved throughout 2011.

Benefit Ref & Title:	B2 – NHT Phase 1 – Development of the Initiative
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. This forecasts the capital value at £102m, which is reflective of the transactions signed. During 2011/12 SFT has been working with the Scottish Government, NHT developers and local authorities to complete deals and work with the NHT stakeholders to start the construction of the NHT homes. During the year, the first 16 NHT units were delivered and these are now fully let. SFT representatives sit on the board of the individual development SPVs. **Profile** The profile of the forecast benefits follows that detailed in the 2011/2012 benefits statement.
Sharing:	33% SFT. Other parties involved: Local authorities and Scottish Government.
Confidence:	A – Certain.
Phasing:	2009/2010 – 20% 2010/2011 – 50% 2011/2012 – 20% 2012/2013 – 10%

Benefit Ref & Title:	**B3 – NHT 2 – Delivering the Initiative**
Description:	The basis for this benefit is the creation of additional investment which, but for the continued delivery of NHT, would have been unlikely to happen. B2 provides background to the development of NHT and SFT's role. Following the success of NHT phase 1, phase 2 was launched in November 2011 and the procurement process is well under way. It is expected that deals will be completed from April / May 2012 onwards. In terms of outputs, it is expected that NHT phase 2 will produce similar investment levels as phase 1 in terms of unit numbers and monetary value, and hence the capital value of phase 2 is forecast as £60m.
Quantification:	**2011/12 Benefit Quantification & Realisation:** The benefit amount has been based upon the bids received to date (with further bids to follow) and an assessment of these in relation to the experiences of phase 1. On this basis, the capital value of NHT phase 2 is forecast at as £60m. NHT phase 2 spend is expected to be primarily delivered between delivered between 2013/14 and 2014/15 on an equal spilt basis i.e.: 2013/14: £30m 2014/2015: £30m. This figure will be assessed / amended as phase 2 moves forward.
Sharing:	50% SFT. (This has increased from 33% for NHT Phase 1 as SFT as the focuses on this project is more on delivery which SFT leads).
Confidence:	C – Good – the procurement process is ongoing, and builds upon that of the phase 1 experience. Significant stages remain in delivering the benefit, however, these reflect those undertaken on phase 1.
Phasing:	2011/2012 – 50% 2012/2013 – 50%

Benefit Ref & Title:	C1 - Western Isles and Orkney Schools Projects – Finance Structure
Description:	The basis for this benefit is the undertaking of review of the project funding arrangements between local authorities and the Scottish Government to ensure sufficient funding and budget cover for these projects. SFT undertook a Key Stage Review (KSR) of the Western Isles 'Hybrid' Schools procurement project prior to Financial Close. This project had been in development since 2002 and procurement since June 2006. With the Orkney Islands schools project it represented a structural innovation in infrastructure procurement to undertake the construction and some maintenance of the facilities through a wholly Council owned Special Purpose Company, as opposed to a privately owned company, as is the case in PPP/NPD structures. The KSR undertaken showed sound progress in the procurement but revealed a technical budgeting issue with the flow of funds between Government and the Local Authority inherent in the proposed financial structure. Under HM Treasury rules the transaction would have been classified as supported borrowing, requiring the capital value of the project to be scored against the Scottish Government's capital budget. SFT worked with Scottish Government to resolve this issue both in terms of preserving the value of support for the project and alignment with Scottish Government budgets.

Benefit Ref & Title:	**C1 - Western Isles and Orkney Schools Projects – Finance Structure**
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. **Value:** There is no change to the value of this benefit from the previous year's statement i.e. of £4.3m per annum for thirty years operational period avoided through revised funding support arrangements. **Profile:** No change, however, given that both the Orkney Islands and the Western Isles schools projects will be secured under long term service contracts, as a variant to the Most Likely Benefit Scenario (Scenario 4), SFT has extended the profile of this benefit beyond the 10-year cut-off period. **Sharing:** No change to last year's statement. **Confidence:** No change to last year's statement. **Phasing:** No change to last year's statement.
Sharing:	50% attributable to SFT.
Confidence:	A – Certain
Benefit Recognition Phasing:	20% 2009/10, 80% 2010/11

Benefit Ref & Title:	C3 – Border Rail - Competition
Description:	The basis for this benefit is the creation of a contract and financing structure that is more likely to ensure effective competition. SFT has worked with Transport Scotland to bring robust due diligence and progressive assurance to the £235- 295m million (2012 prices) Borders Rail project. SFT sat on the Project Board and Commercial Group. The NPD structure had previously only been used for accommodation projects. Early market testing by Transport Scotland suggested that for the transport infrastructure sector where the bidding company population is more international, there were technical elements which did not affect the key NPD features, but made it significantly unattractive to bidders in comparison to projects in other jurisdictions. There was a serious concern that there could be a diminution of value for money through lack of competition. SFT has developed and implemented a technical change to NPD provisions to make it more appropriate to the transport sector. Three strong potential bidders were gained for the project through these actions, although one of these bidders subsequently withdrew for reasons unconnected with the NPD provisions during 2009/10. A further bidder withdrew during 2010/11, again for reasons unconnected with the NPD provisions, and as a result Transport Scotland decided to stop the procurement process and instead ask Network Rail to deliver the project. **2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement, however due to the termination of the procurement, the cumulative benefit of £1.3m per annum for 30 years recognised in 2009/10 and 2010/11 has been revised downwards to zero.
Sharing:	n/a
Confidence:	n/a
Phasing:	n/a

Benefit Ref & Title:	**C4 - Orkney Schools Project – Revenue Support saving**
Description:	The basis for this benefit is the undertaking of review of the project business case to ensure the project funding arrangements between local authorities and the Scottish Government are correctly determined. Working with Scottish Government and carrying out diligence on their behalf SFT, as part of its normal pre-financial close review of the Final Business Case and final award claim for legacy schools projects, identified that Orkney Council had overstated the amount of annual revenue support required.
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. **Value:** No change - The Council's RSG claim was overstated by £124k per annum which, had it been accepted, would have amounted to SG paying an additional £3.472m in total over the 28 year grant award period. **Profile:** No change to last year's statement. However, given that the Orkney Islands schools project will be secured under long term service contract, it is considered prudent to extend the profile of this benefit beyond the 10-year cut-off period for the Most Likely Benefit Scenario. **Sharing:** No change to last year's statement. **Confidence:** No change to last year's statement. **Phasing:** No change to last year's statement.
Sharing:	Scottish Government 50%, SFT 50%
Confidence:	A – Certain – Benefit has already been delivered. – 100%
Benefit Recognition Phasing:	100% - 2010/11

Benefit Ref & Title:	C5 - Royal Hospital for Sick Children and Division of Clinical Neurosciences Project – Increased Competition
Description:	The basis for this benefit is the undertaking of review of the project procurement strategy to that the future procurement is more likely to ensure effective competition and ongoing support to the project as it prepares to commence its procurement. SFT worked with the combined RHSC and DCN NPD project team to review the procurement law and value for money aspects of alternative approaches to procurement. This included a joint venture with the existing PPP operator on site and / or the splitting of the project into two such that the DCN element was procured as a variation to the existing contract. Following this work a standalone NPD project for a combine facility was chosen. A standalone NPD contract is expected to bring increased competitive tension to the procurement of this large accommodation project and should reduce the construction costs, hard FM and lifecycle figures by at least 5%. (Please ref to Benefit C3 for supporting information on this 5% figure). Further work has been carried out during 2011 / 12 in preparation for procurement launch for the project during 2012 / 13. This has included work to assist NHS Lothian in its discussions to secure access to the land and support in the preparation of the procurement documentation. This work should assist in ensuring a level playing field between bidders and a strong competition for the project.
Quantification:	**2009/10 Benefit Quantification & Realisation:** Not applicable **2010/11 & 2011/12 Benefit Quantification Realisation:** The benefit has been calculated by calculating 5% of the capital costs (estimated at £150m) and 5% of the expected hard FM and lifecycle costs and translating these savings into a unitary charge saving of £750k per annum. The cumulative undiscounted impact of this saving across the 30 year project life is £22.5m.
Sharing:	50% attributable to SFT.
Confidence:	C – Good
Phasing:	25% - 2010/11 50% - 2011/12 25% - 2012/13

Benefit Ref & Title:	**C6 - NPD Contract – Saving in Procurement Time**
Description:	The basis for this benefit is the production of standard form documents to reduce procurement timetables and associated costs on both the public and private sector side. The production of standard form contracts for investment programmes is common practice and is essential in delivering the benefits of reduced procurement costs (public sector and private sector adviser fees) on projects within a generic programme. The production of such a document for Scotland's NPD programme will save unnecessary duplication of effort on both the public and private sector side. SFT has consulted with the market to produce a standard NPD contract that will reduce the scope of upfront development costs and the need for negotiation on a project by project basis of generic issues. In addition we expect to progress the design on accommodation projects within the NPD programme further than is traditionally the case before projects start the procurement process. This will reduce the level of bid costs to be incurred by the private sector in design development.

Benefit Ref & Title:	C6 - NPD Contract – Saving in Procurement Time
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. As at 31 March 2012 there are 2 NPD projects in procurement (City of Glasgow College and Inverness College) that will use the new standard form contract. The public sector is already benefitting from the work done on the standard contract, for example through the development of the standard service level specification which has taken away the requirement for their technical advisers to produce a bespoke specification for each project. These projects have not yet reached the point of engaging with bidders on the contract terms, however, and until that happens and the deals are signed it will be too early to verify the realisation of this benefit. The first hub DBFM project (which uses the same form of contract) has been signed (with external financiers) with very minimal negotiation on the contract terms which underlines that, with the co-operation and input of third parties, this benefit is deliverable. **Value:** There is no change to the basis on which the value of this benefit has been estimated. Therefore, as per last year, we have assumed a saving of £175k per project on the public sector side and £525k per accommodation project in the NPD programme on the private sector side (or c.£44k reduction to the Unitary Charge based on a simply proxy that for every £1 reduction in the forecast cost the unitary charge will be reduced by 8p.). As per last year we have restricted the benefit to accommodation projects that fall out with the hub programme. This gives a total forecast value of this benefit of c£9m over the life of these NPD projects. **Profile:** The cash flow profile of this of this benefit has been updated to reflect the target financial close date for the Royal Hospital For Sick Children moving into the subsequent financial year. For full details of the revised benefit profile please see the supporting spreadsheet. However, given that these NPD projects will be secured under long term contract, it is considered prudent to extend the profile of this benefit beyond the 10-year cut-off period for the Scenario 4 The Variant to the Most Likely Benefit Scenario.
Sharing:	The sharing of the benefit remains unchanged at 100% SFT.
Confidence:	The confidence factor remains as "D" – Moderate.
Benefit Recognition Phasing:	The phasing remains unchanged from 2010/11.

Benefit Ref & Title:	**C7 - NPD Contract – Optimal Risk Transfer**
Description:	The basis for this benefit is the review and development of historic standard form contracts, building on lessons learnt from previous comparable projects, to develop a risk allocation which is more likely to offer better value for money. This benefit results from the development of a more appropriate allocation of risk in those areas where the private sector has no control. The main changes to the historic risk allocation as set out in the SoPC4 model form contract are the removal of risk to the private sector contractor for the capital costs of non-discriminatory change in law during operations, the movements in insurance costs due to changes in the general insurance market, the changes in utility costs due to volume usage and the costs from malicious damage. SFT's experience in this sector suggests that the private sector either over price for these risks (as they are not able to mitigate or manage them) or the public sector should (in areas such as malicious damage) be able to mitigate these risk since they have more direct control in the day to day running and operation of the build (e.g. through a head teacher exercising his/her powers to reduce vandalism within schools).

Benefit Ref & Title:	C7 - NPD Contract – Optimal Risk Transfer
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. For 2011/12 there is no change to the basis on which this benefit has been quantified. **Value:** There is no change to the basis on which the value of this benefit has been estimated. However, there has been a correction to last year's figures to exclude the transport projects (M8 and AWPB) from the derivation of the Insurance General Market component of this benefit. For ease of reference a summary of the previous determination of this benefit value is given below. **Change in Law Risk –** No value attributed. **Insurance General Market Risk –** Est. Aggregate Capital Value of Accommodation NPD Projects - £1,500m Estimated Operational Insurance Cost - £1,500m x 0.25% = £3.75m Assumed SoPC4 Private Sector Risk Premium – 20% x £3.75m = £750k 50% saving on risk premium = 50% x £750k = **£350k/yr** **Utilities Volume Risk –** Est. Agg Capital Value of Accommodation NPD Projects - £1,500m Estimated Operational Insurance Cost - £1,500m x 2.5% = £37.5m Assumed Private Sector Risk Premium – 4.5% x £37.5m = £1.69k 50% saving on risk premium = 50% x £1.69m = **£845k/yr** **Malicious Damage Risk -** Est. Aggregate Capital Value of Accommodation NPD Projects - £1,500m Of which Schools - £500m & Others £1000m Est. Floor space based on £2,500/m2 = 560,000m2 FM Charge @£25/m2 = £14m /yr Vandalism Risk for Schools @ 7.5% = 7.5% x (500/1500) x 14,000,000 = £350k Vandalism Risk Others @ 2.5% = 2.5% x ((1,500 – 500)/1,500) x 14,000,000 = £237.5k Total = £233k + £350k = £583k/yr 25% reduction in risk premium = **£146k/yr** **Total = £350k + £845k + £146k = £1.34m/yr**

Benefit Ref & Title:	C7 - NPD Contract – Optimal Risk Transfer
Quantification:	**Profile:** There is no change to last year i.e. 25% in 2014/15, 67% in 2015/16, and then 100% to 2035/36. However, given that these NPD projects will be secured under long term contract, it is considered prudent to extend the profile of this benefit beyond the 10-year cut-off period for the Most Likely Benefit Scenario. **Sharing:** The sharing of the benefit remains unchanged at 100% SFT. **Confidence:** The confidence factor remains as "C" – Moderate. **Benefit Recognition Phasing:** The phasing remains unchanged from 2010/11.
Sharing:	100% attributable to SFT.
Confidence:	C – Good
Benefit Recognition Phasing:	2010 / 11 -33%, 2011/12 – 67%

Benefit Ref & Title:	C8 - NPD Programme – Reduced Cost of Capital
Description:	The basis for this benefit is the creation of a financing structure that could lead to a lower cost of borrowing. There remains a level of uncertainty as to whether a significant liquid market in long term project finance will remain for UK infrastructure projects. This uncertainty stems from the 2008 financial crisis (and the UK Government support that was introduced on the back of this and which is, over time being withdrawn), the phasing in of new Basel III capital adequacy rules and how banks react to the final proposals of the Independent Commission on Banking. Even if a liquid funding market does remain, there is a strong probability that an undertaking of this sort can bring significant value for money benefits, net of the costs.

Benefit Ref & Title:	C8 - NPD Programme – Reduced Cost of Capital
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. Further to the work that SFT has carried out regarding a structure for transition finance (involving a possible contingent refinancing undertaking by the Scottish Government), during 2011/12 SFT has been assessing this and alternative financing structures that will increase the availability and improve the pricing of infrastructure senior debt. These alternative structures include: Project enhancements, especially during the construction period, such as higher security packages and increased liability caps to attract capital markets financing Introducing mezzanine finance to project financing Using credit enhancement wraps. **Value:** To be conservative we continue to base this benefit purely on the M8 project and the Aberdeen Western Peripheral Road project. The M8 project has just been launched to the market with an estimated value of £415m. Recalculating the benefit on the basis of this revised value indicates a saving of £4.33m per annum (0.5% of £865m) for 30 years from 2017/18 once both projects are operational. **Profile:** There is no change to last year i.e. M8 commencing in 2016/17 and AWPB commencing in 2017/18 with both having a 30 year operational period. However, given that both these NPD projects will be secured under long term contract, it is considered prudent to extend the profile of this benefit beyond the 10-year cut-off period for the Most Likely Benefit Scenario. **Sharing:** The sharing of the benefit remains unchanged at 100% SFT. **Confidence:** The confidence factor remains as "D" – Moderate. **Benefit Recognition Phasing:** The phasing remains unchanged from 2010/11.
Sharing:	50% attributable to SFT.
Confidence:	D – Moderate
Benefit Recognition Phasing:	20% in 2010/11, 40% in 2011/ 12, 40% in 2012/13

Benefit Ref & Title:	C9 - Return on working capital investment from hubCos
Description:	The basis for this benefit is to reflect the forecast return on investment to the public sector through the investment of working capital in hubCos. Public Sector Participants and SFT inject working capital on formation of each hubco (£300k for public sector participants and £100k for SFT. Over the first five years of hubco operations, this is paid back together with a return on investment. The return on investment will be re-invested as capital enabling funds to support the development of additional hub projects. This is a separate return to benefit D4 which forecasts the benefit of public sector participants investing sub debt in hub DBFM projects.

Benefit Ref & Title:	C9 - Return on working capital investment from hubCos
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. In 2010/11's benefit statement SFT recognised the benefit arising from the return on working capital from both the North and South-East hubCos. In 2011, East-Central hubCo was established and this benefit has been updated accordingly. The two other hubCos are due to be established in mid to late 2012 and next year's benefit will be updated to reflect this. For SE, North and East Central Territories the total investment is: £1.2m **Value:** The rates of return on Working capital investment are 4.5% in North, 5% in South East and 5% in East Central respectively **Total estimated benefit split over 2010/11 – 2015/16**= (4.5% x £400k) + (5% x £400k) = £38k/yr for 5 years. (for North and South East) **Total estimated benefit split over 2011/12 – 2016/17**= (5% x £400k) = £20k/yr for 5 years. (for East Central) **Profile:** See above. **Sharing:** The sharing of the benefit remains unchanged at 50/50. **Confidence:** The confidence factor remains as "B" – Very Good. **Benefit Recognition Phasing:** The phasing has been updated to reflect the work done in 2011/12 to close the East-Central hub initiative.
Sharing:	50% SFT, 50% public sector participants.
Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
Benefit Recognition Phasing:	33% 2009/10, 33% 2010/11, 33% 2011/12.

Benefit Ref & Title:	D1 - Hub Programme – Reduced Procurement Time
Description:	The basis for this benefit is the reduction in cost to the public sector through a reduced procurement timetable. The removal of the need to carry out procurement via OJEU for each individual project procured through the hub programme should save 6 months in time. The earlier delivery of projects and the reduction in internal and advisory transaction costs is likely to equate to 2% of the capital cost of the project, across the anticipated pipeline in the first 10 years of the hub partnerships.

Benefit Ref & Title:	**D1 - Hub Programme – Reduced Procurement Time**
Quantification:	**2011/12 Benefit Quantification Realisation:** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement The potential size of the hub pipeline over the first ten years has been revised in 2011/12 based on the most recent actual figures provided by participant organisations and it has increased from the £1bn predicted in 2009/10 to £1.5bn. The split of delivery of projects between capital and revenue funding over the next two years has also been updated based on information provided directly by hub participants and taking account of the timescales for procurement of hubcos. The current split of the project pipeline is: capital funded projects - assumed £546.9m pipeline; and DBFM projects - assumed £984.3m pipeline. **Value:** The value of the benefit has been amended to take account of changes to the size of the project pipeline and split of capital vs revenue funding as stated above. The calculation backing the determination of the Value of this benefit is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet. **Profile:** The profile has been updated to reflect the current understanding of both the revenue and capital funded project pipeline within the hub programme. The assumed profile of this benefit is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet. **Sharing:** The sharing profile has not changed **Confidence:** Confidence remains at B – Very good **Benefit Recognition Phasing:** The phasing of this benefit recognition profile has not changed from last year.
Sharing:	50%
Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
Benefit Recognition Phasing:	40% - 09/10, 30%, 20%, 10% following years

Benefit Ref & Title:	D2 - Hub Programme – Capital costs Continuous improvement
Description:	The basis for this benefit is the reduction in the future cost of projects through the creation of a contract structure that obliges contractors to meet continuous improvement performance targets. The HubCo in each Territory is contractually obliged to meet performance targets - including driving down the cost of constructing community projects and improving the specification of buildings. There is therefore a saving delivered through reduction in construction costs (in real terms) via the robustly monitored continuous improvement targets for HubCo. Savings are anticipated to be 1% per annum real cumulative – i.e by year 10 to have made a saving of 10% compared to the baseline. Efficiencies and economies of scale will be generated by the private sector development partner and supply chain e.g. via competition in supply chains, cost improvement plans, benchmarking, VfM procedures, integrated design and lifecycle approach, standardised processes and documents across sustained deal flow. In relation to existing partnering arrangements such as Procure 21 in England and Designed for Life in Wales this 1% continuous improvement estimate is considered conservative.

Benefit Ref & Title:	D2 - Hub Programme – Capital costs Continuous improvement
Quantification:	**2011/12 Benefit Quantification Realisation:** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. The potential size of the hub pipeline over the first ten years has been revised in 2011/12 based on the most recent actual figures provided by participant organisations and it has increased from the £1bn predicted in 2009/10 to £1.5bn. The split of delivery of projects between capital and revenue funding over the next two years has also been updated based on information provided directly by hub participants and taking account of the timescales for procurement of hubcos. The current split of the project pipeline is: capital funded projects - assumed £546.9m pipeline; and DBFM projects - assumed £984.3m pipeline. **Value:** The value of the benefit has been amended to take account of changes to the size of the project pipeline and split of capital vs revenue funding as stated above. The calculation backing the determination of the Value of this benefit is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet. **Profile:** The profile has been updated to reflect the current understanding of both the revenue and capital funded project pipeline within the hub programme. The assumed profile of this benefit is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet. **Sharing:** The sharing profile has not changed **Confidence:** Confidence remains at C – Good **Phasing:** The phasing of this benefit recognition profile has been revised from last year to reflect the on-going nature of SFT's central programme support to each of the territories to ensure the continuous improvement programme is maintained.
Sharing:	50%
Confidence:	C – Good
Benefit Recognition Phasing:	10% for each of the 10 years 2009/10 to 2018/19

Benefit Ref & Title:	D3 - Hub Programme – Bid Cost Savings
Description:	The basis for this benefit is the creation of a delivery model that reduces private sector bid costs. With stand alone DBFM procurement competitions, generally there are 3 bidders who incur substantial sums in bidding for the project. 2 of these 3 bidders will suffer loss on these sums and the winning bidder will generally recover a multiple of their bid costs to cover for lost bid costs on other projects. Under the hub model there is no need to bid for individual DBFM projects so these costs are saved. At this stage, the wider operational cost saving and service delivery benefits of hub have not been quantified.

Benefit Ref & Title:	D3 - Hub Programme – Bid Cost Savings
Quantification:	**2011/12 Benefit Quantification Realisation:** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement The potential size of the hub pipeline over ten years has been revised in 2011/12 based on the most recent actual figures provided by participant organisations and it has increased from the £1bn predicted in 2009/10 to £1.5. The number of DBFM projects for the first four years is based upon expected actual per the total pipeline spreadsheet. The remainder are based upon the final year's assumption of 8 DBFM projects closing per annum. This is an increase from last year's assumption of 5 per annum beyond the initial period and this is based upon actual evidence from the current pipeline. The saving is assumed to be £0.5m per DBFM project as summarised in the table below - £0.375m spent per bidder on average and an average of 1.5 losing bidders per project. The bid cost saving, which bidders would seek to recover from the public sector on future projects is then translated into an anticipated unitary charge saving for each project. Design Fees Saved — £0.225m — per bidder per project Other Bid Costs — £0.15m Total — £0.375m No of Losing Bidders Per Project — 1.5 Total Saving per project (capital) — £0.5m Equivalent Unitary Charge Reduction (p.a.) — £0.047m — Per project per annum The assumed pipeline of DBFM projects across Scotland is now more definite in nature and is taken directly from the centrally maintained hub Project Pipeline which is subject to regular update by hub PDO team members. **Value:** The value of the benefit has been amended to take account of changes to the size of the project pipeline and split of capital vs revenue funding as stated above. The calculation backing the determination of the Value of this benefit is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet.

Benefit Ref & Title:	D3 - Hub Programme – Bid Cost Savings *(continued)*
Quantification:	**Profile**: The profile has been updated to reflect the current understanding of both the revenue and capital funded project pipeline within the hub programme. The assumed profile of this benefit is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet. **Sharing:** The sharing profile has not changed **Confidence:** Confidence remains at B – Very good Benefit Recognition Phasing: The phasing of this benefit recognition profile has not changed from last year.
Sharing:	50%
Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
Benefit Recognition Phasing:	40% - 09/10, 30%, 20%, 10% following years

Benefit Ref & Title:	**D4 - Hub Programme – Public Sector Investment Returns**
Description:	The basis for this benefit is to reflect the forecast return on investment by the public sector in DBFM projects that form part of the hub programme. Unlike in all DBFM procurements to date in Scotland, across the hub programme the public sector will have the right to invest 40% of the equity and subordinated debt requirements into each revenue funded project (anticipated to be around 4% of the total funding requirement). The returns on this investment are an additional benefit to the public sector from the hub initiative. The public sector could derive additional benefit through the utilisation of the returns received from their investment. At this stage, the wider operational cost saving and service delivery benefits of hub have not been quantified.

Benefit Ref & Title:	D4 - Hub Programme – Public Sector Investment Returns
Quantification:	**2010/11 & 2011/12 Benefit Quantification Realisation:** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement The potential size of the hub pipeline over ten years has been revised in 2011/12 based on the most recent actual figures provided by participant organisations and it has increased from the £1bn predicted in 2009/10 to £1.5bn. The split of delivery of projects between capital and revenue funding over the next two years has been predicted based on information provided directly by hub participants and taking account of the timescales for procurement of hubcos. Thereafter, a smoothed profile of pipeline based upon the total pipeline by territory, by funding route, minus the first two years (above) divided by 8 to provide a 10 year profile. The number of DBFM projects for the first four years is based upon expected actual per the total pipeline spreadsheet. The remainder are based upon the final year's assumption of 8 DBFM projects closing per annum. This is an increase from last year's assumption of 5 per annum beyond the initial period and this is based upon actual evidence from the current pipeline. The anticipated investment return to the public sector is measured as the premium returned over and above the assumed nominal cost of capital of the public sector (6.09%). The average rate of return of these projects is assumed to be 10% - therefore the real return over the cost of capital is assumed to be 3.91%. As with 2010/11s calculations specific assumptions have been made on the actual value of DBFM projects signed in each territory per annum, based on the profile of projects updated in 2011/12 over the next ten years. **Value:** The value of the benefit has been amended to take account of changes to the size of the project pipeline and split of capital vs revenue funding as stated above. The calculation backing the determination of the Value of this benefit is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet. **Profile:** The profile has been updated to reflect the current understanding of both the revenue and capital funded project pipeline within the hub programme. The assumed profile of this benefit is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet. **Sharing:** The sharing profile has not changed **Confidence:** Confidence remains at C – Good **Benefit Recognition Phasing:** The phasing of this benefit recognition profile has not changed from last year.
Sharing:	50%
Confidence:	C – Good
Benefit Recognition Phasing	40% - 09/10, 30%, 20%, 10% following years

Benefit Ref & Title:	**D5 - Hub Programme – Reduced Rates of Return**
Description:	The basis for this benefit is the realisation of lower private sector rates of return through the input of specialist support during procurement. As part of the procurement of hub territory partners, SFT is focussing on investment return requirements of bidders during the competitive dialogue phase. It is anticipated that a 3% reduction in IRR will be achieved when compared to an average PFI project delivered to date in the UK. At this stage, the wider operational cost saving and service delivery benefits of hub have not been quantified.

Benefit Ref & Title:	D5 - Hub Programme – Reduced Rates of Return
Quantification:	**2010/11 & 2011/12 Benefit Quantification Realisation:** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. The potential size of the hub pipeline over ten years has been revised in 2011/12 based on the most recent actual figures provided by participant organisations and it has increased from the £1bn predicted in 2009/10 to £1.5bn. The split of delivery of projects between capital and revenue funding over the next two years has been predicted based on information provided directly by hub participants and taking account of the timescales for procurement of hubcos. Thereafter, a smoothed profile of pipeline based upon the total pipeline by territory, by funding route, minus the first two years (above) divided by 8 to provide a 10 year profile. The number of DBFM projects for the first four years is based upon expected actual per the total pipeline spreadsheet. The remainder are based upon the final year's assumption of 8 DBFM projects closing per annum. This is an increase from last year's assumption of 5 per annum beyond the initial period and this is based upon actual evidence from the current pipeline. The reduced rate of return requirement of private sector participants will lead directly to lower unitary charge payments for DBFM projects by the public sector procurers. There are specific assumptions made on the projected actual value of DBFM projects signed in each territory per annum, based on the profile of projects updated in 2011/12 over the next ten years. **Value:** The value of the benefit has been amended to take account of changes to the size of the project pipeline and split of capital vs revenue funding as stated above. The calculation backing the determination of the Value of this benefit is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet. **Profile:** The profile has been updated to reflect the current understanding of both the revenue and capital funded project pipeline within the hub programme. The assumed profile of this benefit is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet. **Sharing:** The sharing profile has not changed **Confidence:** Confidence remains at B – Very good Benefit Recognition Phasing: The phasing of this benefit recognition profile has not changed from last year.
Sharing:	50%
Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
Benefit Recognition Phasing	40% - 09/10, 30%, 20%, 10% following years

Benefit Ref & Title:	D6 - Dialogue Stage Public Sector Savings – updated for 2011/12
Description:	The basis for this benefit is savings to the public sector through specialist support and input from SFT during the procurement process. As part of the first hub territory procurement, SFT took a robust stance on the value offered by bidders in several different areas. Through the competitive dialogue stage, savings totalling £1m were delivered, though details remain commercially confidential given ongoing procurement of partners in the other territories. The same process continued during the North Procurement resulting in a one-off saving of £700k.
Quantification:	**2009/10 & 2010/11 Benefit Quantification Realisation:** A one-off net saving of £1m has been delivered to public sector participants in the South East hub territory with a further £700k in the North. Total estimated benefit over 2009/10 & 20010/11 = £ 1.7m **Value:** The value of this benefit has not changed for 2011/12. **Profile:** The profiling has not changed since last year. **Sharing:** Sharing remains the same **Confidence:** Confidence remains at A - High **Benefit Recognition Phasing:** Phasing remains the same as last year.
Sharing:	50%
Confidence:	A – High – Benefit has already been delivered. – 100%
Benefit Recognition Phasing:	2009/10 – 59%, 2010/11 – 41%

Benefit Ref & Title:	D7 - Schools Programme – Pilot Project Savings
Description:	The basis for this benefit is facilitating joint working, sharing of resources and promoting a common approach between two authorities to deliver savings. SFT instigated and is supporting a pilot project for Scotland's Schools for the Future programme, identifying structures and processes for delivering savings through collaborative procurement across Local Authority boundaries. The pilot project involves East Renfrewshire and Midlothian, two councils working together for the first time to jointly procure a schools project through agreeing common areas of specification and following a single procurement process. The pilot project involves two councils and requires one project team, one set of advisors and one design team delivering public sector 'cost of procurement' savings. The resulting larger combined project has been taken to market resulting in a reduced tender price through economies of scale.

Benefit Ref & Title:	D7 - Schools Programme – Pilot Project Savings
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. In 2009/10 a 3% capital cost saving on combined £70m project = £2.1m saving. Shared between SFT and the two participating Local Authorities. In 2010/11 towards the end of the procurement process a 5% capital cost saving on combined £70m project = £3.5m saving. Shared between SFT and the two participating Local Authorities. In 2011/12 the D&B contract was awarded. Savings of 5.73% were delivered comprising project team savings, advisor cost savings, procurement route savings and economies of scale. **Value:** 5.73% capital cost saving on combined £70m project = £4.011m saving. **Profile:** Remains unchanged from last year. **Sharing:** The sharing of the benefit remains unchanged at 50% SFT 50% local authorities. **Confidence:** The confidence factor has been increased to A – certain as the final contract price is known. **Benefit Recognition Phasing:** The phasing remains unchanged from 2010/11.
Sharing:	Percentage share attributable to SFT – 50%
Confidence:	B – Very Good(90%) – Deliverable plans are in place
Benefit Recognition Phasing	Work attributable in: 2009/10 – 50% 2010/11 – 50%

Benefit Ref & Title:	D8 - Schools Programme – Needs Identification
Description:	The basis for this benefit is gathering data and intelligence to provide support as well as proactive challenge to the conventional assumptions relating to the delivery of new schools in order to deliver savings. SFT is managing the £1.25 billion Scotland's Schools for the Future programme. The programme is expected to deliver 67 schools, a dozen more than the 55 new schools identified at the outset of the programme in 2009. The first primary school opened in 2012 following completion in 2011.The first secondary school is scheduled to be completed in 2013. The programme will deliver good quality, well-designed and sustainable schools at a competitive price. SFT's role involves: Programme management and co-ordination Driving VfM across programme – e.g. needs identification Facilitating aggregation and collaboration benefits – e.g. joint working / hub Carrying out lessons learned exercise Supporting pilot project development Sharing knowledge on cost, design and best practice Matching SG funding with LA funding and LA readiness The programme is still in its relatively early stages with the procurement / delivery route yet to be identified for approximately half of the schools. Much progress has however been made since the programme was announced with one school open and a further ten in construction. SFT's primary role is to provide evidence-based constructive challenge to the early identification of needs for new school facilities. A small number of key factors drive cost of any new school: Number of pupils the school is designed for Building area allowed per pupil Capital cost per m2 of area built SFT has applied a standard set of criteria for the design school role (number of pupils); has carried out a lessons learned study on previous schools investment giving an understanding of reasonable building sizes; and has benchmarked construction costs across recent schools projects in Scotland and further afield. Working with Local Authorities to apply this consistent funding approach and robustly challenge need, has identified opportunities for substantial cost savings against initial estimates and is an improved approach to requirements management. Following the Scottish Governments' budget publication in November 2010, it is expected that £400-500m of Scotland's Schools for the Future programme will be delivered using revenue funding. The revised 2009/10 - 2010/11 total benefit reflects the change in funding profile.

Benefit Ref & Title:	D8 - Schools Programme – Needs Identification
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2009/10 benefit statement. The text is repeated below for ease of reference. The calculation of benefit delivered is split between secondary and primary/SEN schools: **Secondary:** Number of Pupils — Average design capacity reduced from 1,072 to 984 pupils across 14 schools Saving calculated at £19m Area per pupil — Average area per pupil reduced from 12.8 to 11.0m^2 / pupil Cost per m2 — Average cost reduced from £2,660/ m2 to £2,200/ m^2 Saving calculated at £118m across 14 schools (area and £/ m^2) TOTAL — £137m of benefit across 14 secondary schools Secondary school funding is 67% Scottish Government and 33% Local Authority. SFT's actions have set the Government funding level, delivering that benefit apportioned to SFT. The 33% of budget provided by Local Authorities will also benefit and this is allocated to the participating Local Authorities. **Primary and SEN:** A total benefit across 21 primary schools of £39m was identified through a combination of design capacity, area requirement and unit cost effects. Primary and SEN school funding is 50% Scottish Government and 50% Local Authority. SFT's actions have set the Government funding level, delivering that benefit apportioned to SFT. The 50% of budget provided by Local Authorities will also benefit and this is allocated to the participating Local Authorities. **TOTAL** The total benefit delivered through the needs identification process is £176m split £110m to SFT reflect the funding support provided by Scottish Government and the remaining £66m to Local Authorities. This overall benefit will be delivered across the years of the investment programme from 10/11 to 17/18.

Benefit Ref & Title:	D8 - Schools Programme – Needs Identification *(continued)*
Quantification:	**Value:** No amendment to the 2009/10 position. See above. However, during 2011/12, further work was undertaken to agree an updated the cost per m2 of £1,900/m2 for secondary schools. The benefit of this work has been allocated to a new benefit D8a – Schools Programme – Needs Identification – Further Savings. **Profile:** Remains unchanged from last year. **Sharing:** The sharing of the benefit has been updated to 100% SFT but the value of the benefit includes a 50% factor to reflect the funding allocation for primary schools and a 67% factor to reflect the funding allocation for secondary schools. **Confidence:** The confidence factor remains at C - Good. **Benefit Recognition Phasing:** The phasing remains unchanged from 2010/11.
Sharing:	100% SFT.
Confidence:	C – Good - Plans are in place to deliver the benefit but some third party commitment remains outstanding and/or significant stages remain outstanding to deliver the anticipated benefit. – 75%
Benefit Recognition Phasing	2009/10 – 100%

Benefit Ref & Title:	**D8 - Schools Programme – Needs Identification – Cost Metric Update**
Description:	Benefit D8 sets out the core value added by SFT in assisting local authorities to identify their needs as part of the £1.25 billion Scotland's Schools for the Future Programme. In benefit D8 a cost metric of £ £2,200/m^2 with a base date of 2Q 2009was used as the basis of quantifying the value of the benefit of SFT's intervention on the secondary schools programme. During 2011/12, SFT has worked with local authorities to deliver further value on the schools programme. A key aspect has been to review the cost metric for secondary schools which has been informed by the early projects. An updated cost metric of £1,900/m^2 with a base date of 2Q 2011 will be used going forward. Inflating the 2Q 2009 cost metric of £2,200/m^2 to 2011/12 prices gives a figure of £2,353/m^2 and hence a further saving to the remaining 13 Secondary Schools in the programme of £453/m^2.
Quantification:	**2011/12 Benefit Quantification & Realisation Update** Total area in current secondary school programme = £129,500m2 Total Benefit = £453/m2 x 129,500m2 = £58.7m. A factor of 67% has been applied to this value to reflect the funding allocation for secondary schools. The profile over which this benefit will be realised is as per D8.
Sharing:	100% SFT
Confidence:	C – Good - Plans are in place to deliver the benefit but some third party commitment remains outstanding and/or significant stages remain outstanding to deliver the anticipated benefit. – 75%
Benefit Recognition Phasing:	2011/12 – 100%

Benefit Ref & Title:	D9 - Schools Programme – Continuous Improvement Savings
Description:	The basis for this benefit is embedding continuous improvement in the programme delivery function to realise savings. SFT is managing the £1.25 billion Scotland's Schools for the Future programme. In October 2011 the Scottish Government confirmed the intention to increase the number of schools delivered from 55 schools to 67 schools. The first primary school, completed in 2011, was opened by the First Minister in February 2012. The first secondary is scheduled to be completed by 2013. The programme will deliver good quality, well-designed, sustainable schools at a competitive price. Continuous improvement savings will be driven across the programme via: Identifying and recommending the most appropriate procurement strategy whether it be joint procurement / use of hub / framework / bundling with existing capex plan. Use of hub as a delivery programme leading to continuous improvement at contractor level. Savings of time / costs. Enabling documentation and best practice guidance being made available from a central resource rather than 32 LAs identifying/sourcing the same information individually. Time and resource savings at local level. Commonality of design promoted through a central resource rather than 32 LAs preparing designs individually. Time and resource savings at local level.

Benefit Ref & Title:	**D9 - Schools Programme – Continuous Improvement Savings**
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. In 2009/10 a 3% saving throughout the programme anticipated. Total potential savings of £35m, requiring ongoing SFT and Local Authority work to deliver, were identified. In 2010/11 the Scottish Government confirmed that £400-500m of Scotland's Schools for the Future programme would be revenue funded. The underlying assumption of 3% saving remained. The profile of benefit realisation is updated as follows to reflect the revised split between capital and revenue funding: Total value of the programme (excluding Pilot Project value): £1,180m Revenue funded (assume mid-point): £450m 3% saving = £13.5m Equivalent Unitary Charge reduction = £1.125m per annum Assume benefit will be realised from 2013/14 to 2038/39 Capital funded (Total less Revenue): £730m 3% saving = £21.9m Assume benefit will be realised evenly from 2010-11 to 2017-18 The benefit can be realised as a cash saving or, more likely, additional schools delivered with the same budget allocation. In October 2011 the Scottish Government confirmed the intention to increase the number of schools delivered through the programme from 55 to 67 schools as anticipated in 2010/11. This has been made possible through the continuous drive to deliver value for money schools and realising the savings identified in prior years.

Benefit Ref & Title:	D9 - Schools Programme – Continuous Improvement Savings *(continued)*
Quantification:	**Value:** No amendment to the 2010/11 position. See above. **Profile:** Remains unchanged from last year. See above. **Sharing:** The sharing of the benefit remains unchanged at 50% SFT 50% local authorities. **Benefit Recognition Phasing:** The phasing remains unchanged from 2010/11.
Sharing:	Percentage share attributable to SFT – 50%
Confidence:	C – Good - Plans are in place to deliver the benefit but some third party commitment remains outstanding and/or significant stages remain outstanding to deliver the anticipated benefit. – 75%
Benefit Recognition Phasing:	Work attributable in: 2009/10 – 20%, 2010/11 – 20%, 2011/12 – 20%, 2012/13 – 20% & 2013/14 – 20%

Benefit Ref & Title:	E1 - Validation - Non-Standard Civils Projects (FRC)
Delivery:	The basis for this benefit is the provision of an independent project assurance function. Project Assurance/KSRs completed for FRC, see methodology below.
Quantification:	**2011/12 Benefit Quantification Realisation:** The quantification of this benefit is set out below; there has been no change to the methodology or value of benefit stated in the 2010/11 Benefit Statement. SFT carried out a Pre-ITPD and a further Pre-PB validation of the Forth Replacement Crossing. For the purposes of the benefit calculation, the FRC was valued at £2bn which is the mid-point of the cost estimate provided by Transport Scotland. Following tender returns on the FRC project the total capital cost of the project has reduced, however we have not adjusted the capital value of the project for the purposes of this benefit statement. We have assumed that any improvement to the pre validation estimate of costs is at least in part due to the project having been reviewed and recommendations having been enacted. As per table 2 of the methodology set out in Annex 1 of the main benefit statement, a 1.5% benefit was recognised (based on benefit of project validation report - non standard civil engineering project - 'incomplete scope'); the 'incomplete scope' classification was used as a full set of validation had not been undertaken on the project. A factor of 1.0 was applied as per Table 3 of the methodology set out in Annex 1 of the main benefit statement, in the attached methodology to reflect the relative role of SFT in the project. The benefit = £2.0bn * 1.5% = £30m, spread over the 5 year construction period = £6m pa commencing in 12/13.
Sharing:	50%- SFT/Transport Scotland
Confidence:	11/12: A – Certain – Contract Awarded. contracts have been awarded and enabling works have commenced.
Benefit Recognition Phasing:	The years of recognition are 50% 09/10, 50% 10/11.

Benefit Ref & Title:	E2 - Validation - Standard Accommodation Projects
Delivery:	The basis for this benefit is the provision of an independent project assurance function. Project Assurance/KSRs completed for LA Projects, hub PSDP procurements & NHT Framework procurement, see methodology below. This benefit is separate to the 'Needs not Wants' Scrutiny and Challenge Benefit G6 for NPD accommodation projects. The years of recognition are 50% 09/10, 50% 10/11.

Benefit Ref & Title:	**E2 - Validation - Standard Accommodation Projects**
Quantification:	The supporting methodology that has been used to quantify the benefit associated with validation activities is now included in Annex A to the main benefit report. 2011/12 Benefit Quantification & Realisation Update The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. In 11/12 SFT continued to validate revenue funded hub projects. Whereas last year SFT estimated the value of this benefit by assuming the total estimated capital value of the hub programme at £1.4bn, this year SFT is only attributing a value to projects where it has completed the validation process. In 2011/12 SFT completed the validation of the £15m Aberdeen Health Village DBFM Project. Value: As per last year, zero benefit has been attributed to any internal validation that SFT has undertaken on the NHT initiative. For the hub programme the only the revenue funded project that was subject to full external validation by SFT was the £15m Aberdeen Health Village DBFM Project.

Project	**Value**	**DB v DBFM**	**Benefit Value**[1]
Tayside Mental Health Project	£100m	DBFM	(£100m x 0.6% x 1.0)/122 = £50/yr
Moray Schools	£40m	DBFM	(£40m x 0.6% x 1.0)/122 = £20k/yr
Orkney Island Schools Project	£49m	DB	(£49m x 0.6% x 1.0) = £294k
Western Isles Schools Project	£58m	DB	(£58m x 0.6% x 1.0) = £384k
Aberdeen Health Village	£15m	DBFM	(£15m x 0.6% x 1.0)/122 = £7.5k/yr

Benefit Ref & Title:	E2 - Validation - Standard Accommodation Projects *(continued)*
Quantification:	Note 1 – see Annex 1 of the main report for derivation of percentages and correction factors. Note 2 – Dividing by 12 is a simplistic way of estimating the reduction in the unitary charge for DBFM projects. **Profile:** **Project** / **Value** / **DB v DBFM** / **Benefit Profile** Tayside Mental Health Project / £100m / DBFM / £50/yr in 2012/13 for 30 years Moray Schools / £40m / DBFM / £20k/yr in 2013/13 for 30 years Orkney Island Schools Project / £49m / DB / £294k/3 in 09/10,10/11 and 11/12 Western Isles Schools Project / £58m / DB / £384k/3 in 09/10,10/11 and 11/12 Aberdeen Health Village / £15m / DBFM / £7.5k/yr in 2013/14 for 25 years The cash flow profile for D&D projects reflects the construction period and for DBFM projects reflects the operational period For full details of the revised benefit profile please see the supporting spreadsheet. **Sharing:** The sharing of the benefit remains unchanged at 50% SFT / 50% partner bodies. **Confidence:** The confidence factor remains as "B" – Very Good. **Benefit Recognition Phasing:** The phasing has been updated to reflect the additional validation work undertaken in 2011/12.
Sharing:	50%SFT / 50% partner organisations.
Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
Benefit Recognition Phasing:	2009/10 – 33%, 2010/11 – 33%, 2011/12 – 33%

Benefit Ref & Title:	**E3 - CMAL – Validation of vessel investment proposals**
Description:	The basis for this benefit is the provision of an independent assurance function to Caledonian Maritime Assets Limited's ("CMAL") proposed investment programme. CMAL is a company limited by shares with Scottish Ministers as the sole shareholder. It owns the majority of the ferries and many of the ports and harbours that are used to provide lifeline ferry services in the Clyde and Hebrides; the operator of these services is obliged to use the vessels owned by CMAL as a condition of their public services contract. In early 2010 CMAL developed an investment programme for vessels and harbours that would require SG funding of some £813m in real terms over the period 2012 to 2027.

Benefit Ref & Title:	E3 - CMAL – Validation of vessel investment proposals
Quantification:	**2011/12 Benefit Quantification Realisation:** The quantification of this benefit is set out below; there has been no change to methodology or the value of benefit stated in the 2010/11 Benefit Statement. As part of the review and challenge process undertaken by the investment project Steering Group (of which SFT were a key member from early 2010) this £813m investment plan was revised significantly downwards to £610m, whilst maintaining the equivalent provision of service. This represents a net reduction of £203m. SFT provided a fresh impetus to challenge the previously accepted assumptions to the investment case in a critical but proactive manner. A low confidence factor has been attributed to this benefit to reflect future uncertainties in the Scottish Government's capital budget. The benefit has been assumed to be spread evenly over the period 2011/12 to 2035/36. **Value:** The value remains unchanged from last year. **Profile:** The profile remains unchanged from last year. **Sharing:** The sharing of the benefit remains unchanged at 33%. **Confidence:** The confidence factor remains as "D" – Moderate. **Benefit Recognition Phasing:** Remains unchanged from last year.
Sharing:	33.3% shared equally between Scottish Government/Transport Scotland, CMAL and SFT.
Confidence:	Confidence factor: D – Moderate - Deliverable benefit identified with discussions ongoing with third parties to put firm plans in place for delivery. – 55%
Benefit Recognition Phasing:	50% of work attributable to 2009/10, 50% to 2010/11.

Benefit Ref & Title:	**E4 - Validation - Non-Standard Civils Projects (Borders Railway)**
Description:	The basis for this benefit is the provision of an independent assurance function through SFT's on-going role on the Project Board. Project Assurance/KSRs completed for Borders Railway, see methodology below.
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement, however due to the termination of the procurement, the cumulative benefit of £0.323m per annum for 30 years recognised in 2009/10, 2010/11 and 2011/12 has been revised downwards to zero.
Sharing:	n/a
Confidence:	n/a
Benefit Recognition Phasing:	n/a

Benefit Ref & Title:	F1 - Operational Projects Support
Description:	The basis for this benefit is examining ways in which the public sector can manage existing PPP contracts in a more efficient manner to realise savings, to raise awareness of existing contract provisions which allow the local authorities to generate savings and to work with authorities to leverage savings through the dissemination of best practice, robust contract management and a focus on strategic issues.

Benefit Ref & Title:	**F1 - Operational Projects Support**
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. Following the review of operational PPP contract which SFT carried out in 2010/11, and the report for which was published in June 2011, during 2011/12 SFT had discussions with a number of local authorities in the south east of Scotland about the setting up of a shared services arrangement to contract manage the PPP contracts of those authorities. While there was a positive view of the concept and its benefits, it was felt that it would be beneficial to demonstrate the savings which could be achieved by improved contract management in the first instance, given the cost of resources required. During 2011/12, SFT has been working with a number of local authorities supporting the realisation of savings. More widely, SFT has been discussing with local authorities around Scotland the benefits of a collaborative approach to the realisation of savings, through joint working and knowledge sharing. SFT intends to take forward this approach in 2012/13. In addition, a project to consider the contract management arrangements and potential for savings within acute operational PPP contracts has been initiated and SFT will be working closely with the NHS on that project in the coming year. **Value:** The mechanism which is proposed to realise savings in local authority contracts has been adjusted in the light of discussions during 2011/12 with local authorities and health boards. Accordingly it will now take longer for the plateau of estimated annual savings (£5.5m) to be reached. This is reflected in an adjusted savings profile for 2011/12 compared with last year's estimate as shown below. The revised profile building up to £5.5m per annum estimated saving is show below. **Profile:** 2011/12 : £1.1m, 2012/13: £2.5m, 2013/14 £3.5m, 2014/15 £4.5m, 2015/16 onwards £5.5m **Sharing:** Remains unchanged from last year. **Confidence:** Remains unchanged from last year. **Benefit Recognition Phasing:** Given the activity undertaken in 2011/12, SFT's phasing of this benefit recognition has been profiled over a longer period as shown below.

Benefit Ref & Title:	F1 - Operational Projects Support *(continued)*
Sharing:	50% of this benefit is attributable to SFT, 50% to the public bodies managing the contract.
Confidence:	D – Moderate (Confidence rating remains the same as for 20010/11)
Benefit Recognition Phasing:	10% - 2009/10 15% - 2010/11 15% - 2011/12 30% - 2012/13 30%- 2013/14

Benefit Ref & Title:	**G1 - Waste – Procurement Timetable Benefits – Avoided Disposal Costs – Other than Clyde Valley**
Description:	The basis for this benefit is avoiding the public sector incurring larger than necessary waste disposal costs through helping reduce the risk of delay to the procurement timetable. SFT has undertaken a range of measures to promote accelerated project delivery and help reduce the risk of delays to project commencement. This has included project validation at key milestones and promoting market stakeholder consultation to identify promptly any potential sources of delay to projects. The benefit identified here is the avoided disposal costs associated with reduced risk of delay to the procurement timetable.

Benefit Ref & Title:	G1 - Waste – Procurement Timetable Benefits – Avoided Disposal Costs – Other than Clyde Valley
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. During 2011/12 many local authorities have amended their individual project timelines to take cognisance of activities such as the emerging Waste Management (Scotland) Regulations and the timing of the local council elections in May 2012. However, as stated in the 2010/11 benefits statement, it is still considered to be a valid assumption that without the range of interventions and project support from SFT, the overall procurement timetable for these projects could be up to 6 months, on average, longer than necessary. Using the WRAP Gate Fee report for 2011, an estimate of the saving could be based on the sum of the median price for landfill in Scotland (£18/t) plus current forecast landfill tax at contract award (£80/t) and subtracting the median WRAP gate fee for MBT treatment with SRF disposal (£84/t) = £14/t. SFT's view is that £14/t saving is too high as an average figure for Scotland. Therefore, for the purpose of valuing this benefit the £3.50/t estimate in last year's benefit statement has been maintained for 2011/12 as a more prudent view of the likely level of cost avoidance. In the 2010/11 benefit statement SFT reported a benefit associated with compressing the procurement period of the Joint Edinburgh and Midlothian's food waste project by 6 months. The value of this benefit was linked to the cost avoided if such waste was landfilled for the 6 month period. In 2011/12 Edinburgh and Midlothian Councils let an interim contract for food waste treatment, thus avoiding the additional cost of landfill. SFT has therefore assumed a zero value for this aspect of this benefit. **Value:** The residual waste treatment capacities being procured by Glasgow City Council (GCC), Edinburgh/Midlothian Councils (CEC/MLC) and the Ayrshire Councils are now circa 200ktpa, 110ktpa and 90ktpa respectively. The updated values for 2011/12 are as follows: GGC - £3.50/t x 200,000t/yr x 0.5yrs = £350k Edi/Mid Residual - £3.50/t x 110,000t/yr x 0.5yrs = £192.5k Ayrshires - £3.50/t x 90,000t/yr x 0.5yrs = £157.5k

Benefit Ref & Title:	**G1 - Waste – Procurement Timetable Benefits – Avoided Disposal Costs – Other than Clyde Valley** *(continued)*
Quantification:	**Profile:** The profile of the benefit associated with these projects has been update to reflect the current project timetables. | | GCC (Residual) | CEC/MLC (Residual) | Ayrshire (Residual) | | Years of creation | 2009/10 to 2011/12 | 2009/10 to 2013/14 | 2009/10 to 2014/15 | | Years of delivery | 2014/15 | 2017/18 | 2018/19 | However, given that these waste projects will be secured under long term contracts, it is considered prudent to extend the profile of this benefit beyond the 10-year cut-off period for the Most Likely Benefit Scenario. **Sharing:** The sharing of the benefit remains unchanged at 50/50. **Confidence:** The confidence factor remains as "C" – Good. **Phasing:** The phasing has been updated to reflect current project timetables.
Sharing:	SFT – 50%, local authorities – 50%
Confidence:	C – Good – Plans are in place to deliver – 75%
Benefit Recognition Phasing:	10% attributable to 2009/10 20% attributable to 2010/11 25% attributable to 2011/12 25% attributable to 2012/13 15% attributable to 2013/14 5% attributable to 2014/15

Benefit Ref & Title:	G2 - Waste – Service Cost Benefits (Reduced Gate Fees) Other than Clyde Valley
Description:	The basis for this benefit is avoiding the public sector incurring larger than necessary waste disposal costs through helping secure lower gate fees for future waste treatment contracts. SFT has undertaken a range of measures to help secure affordable and value-for-money gate fees for both residual and food waste treatment projects. These include the promotion of effective competition through realistic aspirations for project scope, contract structure and commercial terms based on recent market precedent, scoping the project to maximise third-party revenue opportunities (including the sale of heat and power), and exploring alternative funding and financing options. SFT has also helped to create and promote an environment where bidders can deliver a solution that realises better economies of scale..

Benefit Ref & Title:	G2 - Waste – Service Cost Benefits (Reduced Gate Fees) Other than Clyde Valley
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. During 2011/12 the timetables for the three principal residual waste projects SFT is supporting (GCC residual, CEC/MLC residual, Ayrshires residual) evolved to reflect external matters, such as the on-going development of waste policy and regulation and the forthcoming local council elections in May 2012. It is, however, still a valid assumption that without the range of project support offered by SFT the out-turn gate fee secured by individual local authorities without any form of central support would likely be higher than they need be. **Value:** The median price from the WRAP Gate Fee Report 2011 for residual treatment MBT treatment process and the disposal of SRF is £84/t. From recent business cases and bids received for Scottish projects, SFT considers that this is too low as an average figure for Scotland, and that a more realistic all-in price would be in the range of £100/t to £120/t. For 2011/12 SFT has therefore retained the 2010/11 assumption of a 4% reduction in gate fee compared with the mid-point gate fee for incineration taken from the WRAP Gate Fee Report 2010 (i.e. 4% of £102.50/tonne). (This in line with the OGC position that value-for-money reviews have confirmed that an average cost avoidance of 3-5 per cent is being achieved when best practice recommendations from review reports are implemented.) The residual waste treatment capacity being procured by Glasgow City Council (GCC) is now in the order of 200ktpa, whereas Edinburgh/Midlothian Councils (CEC/MLC) residual waste treatment capacity requirement is now in the order of 110ktpa. The current estimate of residual waste treatment capacity required by the Ayrshire Councils is still the range of 90ktpa. The updated values for 2011/12 are as follows: GGC - £4.10/t x 200,000t/yr = £820k Edi/Mid Residual - £4.10/t x 110,000t/yr = £451k Ayrshires - £4.10/t x 90,000t/yr = £369k In the 2010/11 benefit statement SFT also estimated the benefit its support could bring to the food waste treatment project being jointly procured by City of Edinburgh and Midlothian Councils. This project remains on track, and SFT has not changed the basis for quantifying this benefit. The value for 2011/12 for this aspect of this benefit remains at £45.6k pa.

Benefit Ref & Title:	G2 - Waste – Service Cost Benefits (Reduced Gate Fees) Other than Clyde Valley *(cont'd)*
Quantification:	**Total estimated benefit (prior to phasing adjustment) =** **£820k/yr x 25 yrs (GCC) + £451k/yr x 25 yrs (CEC/MLC (Residual) + £369k/yr x 25 yrs (Ayrshires) + £45.6k/yr x 20 yrs (CEC/MLC (Food)) = £41.912m** **Profile:** The profile of the benefit associated with these residual waste projects has been updated to reflect the current project timetables. GCC (Residual) / CEC/MLC (Residual) / Ayrshire (Residual) Years of creation: 2009/10 to 2011/12 / 2009/10 to 2013/14 / 2009/10 to 2014/15 Years of delivery: 2014/15 For 25 years / 2017/18 For 25 years / 2018/19 For 25 years The profile of the benefit associated with the Edinburgh and Midlothian food waste project remains unchanged from last year as shown in the table below. CEC/MLC (Food) Benefit: £45.6k/yr Years of creation: 2010/11 to 2012/13 Years of delivery: 20 years, commencing 2015/16 However, given that these waste projects will be secured under long term contracts, it is considered prudent to extend the profile of this benefit beyond the 10-year cut-off period for the Most Likely Benefit Scenario. **Sharing:** The sharing of the benefit remains unchanged at 50/50. **Confidence:** The confidence factor remains as "C" – Good. **Phasing:** The phasing has been updated to reflect current project timetables.
Sharing:	SFT – 50%, local authorities – 50%
Confidence:	C – Good – Plans are in place to deliver – 75% for all projects
Benefit Recognition Phasing:	10% - 2009/10, 20% - 2010/11, 25% - 2011/12, 25% - 2012/13, 15 % - 2013/14, 5% - 2014/15.

Benefit Ref & Title:	**G3 - Waste – Service Cost Benefits (Reduced Gate Fees) - Clyde Valley residual waste project**
Description:	The basis for this benefit is promoting collaboration between a number of local authorities in the Clyde Valley to help them secure lower gate fees for future waste treatment contracts. SFT has undertaken a range of measures to help secure affordable and value-for-money gate fees for both residual and food waste treatment projects. These include the promotion of effective competition through realistic aspirations for project scope, contract structure and commercial terms based on recent market precedent, scoping the project to maximise third-party revenue opportunities (including the sale of heat and power), and exploring alternative funding and financing options. SFT has also helped to create and promote an environment where bidders can deliver a solution that realises better economies of scale.

Benefit Ref & Title:	G3 - Waste – Service Cost Benefits (Reduced Gate Fees) - Clyde Valley residual waste project
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. During 2011/12 SFT has continued to work with a group of Clyde Valley local authorities, both as member of the Steering Group, as well as supporting the production of an Outline Business Case (OBC) for a joint residual waste treatment project, including supporting the development of governance arrangements and the inter-authority agreements. During 2011/12, both West Dunbartonshire and Inverclyde Councils elected to withdraw from this collaborative project. However, four Councils have agreed to participate in the collaborative project. Therefore the following changes have been made to the benefit quantification: **Value:** The quantification of this benefit is now based on the forecast savings that the OBC suggested should be realised for the four remaining authorities through collaboration. This is estimated at £6/t in 2011/12 prices for a 225,000tpa treatment facility, being operational for 25 years from 2018/19. These changes have a significant effect on the benefit reported for 2010/11. The reduction in the scope of collaboration from six authorities to four, the consequent drop in residual waste available for the project, and the re-profiling of the project timetable result in a signification reduction in the reported value of this benefit for 2011/12. **Profile**: The profile of the forecast savings has been changed to reflect the OBC, with treatment services forecast to commence in 2018/19, based on a 25 year contract. However, given that this waste projects is planned to be secured under long term contract, it is considered prudent to extend the profile of this benefit beyond the 10-year cut-off period for the Most Likely Benefit Scenario. **Sharing:** The sharing of the benefit has been increased to 50%, given that ZWS are not playing any role on this residual waste project. **Confidence:** The confidence has been increase to 'C' (Good), as the four collaborating authorities have agreed to sign an Inter-Authority Agreement and proceed with the project. **Benefit Recognition Phasing:** The phasing of the benefit recognition has been change to reflect the new timetable.
Sharing:	SFT and local authorities – 50% each.
Confidence:	C –Good –Firm plans are in place – 75%.
Benefit Recognition Phasing:	The creation of this benefit will be spread over five years: 10/11, 11/12, 12/13, 13/14 and 14/15, on the following basis 10%, 20%, 35%, 20%, 15% respectively.

Benefit Ref & Title:	**G4 - Budget Recast (Initial)**
Description:	The basis for this benefit is the review of inflation assumptions in historic budgets in order to identify headroom in those budgets arising from the recent deflation in the construction market thus allowing: departments to benchmark “on budget” performance against a revised datum; focusing project managers minds on “on or below” budget performance against the revised datum; and subsequently improving budget planning and allocation across the portfolio. SFT undertook a commercial review of the inflation assumptions included within the Education, Health and Justice budgets and by establishing the corresponding pattern of construction inflation/deflation identified budget efficiencies. A challenge process was put in place to review budgets where this efficiency was identified. This commercial approach in many ways reverses the norm in recent years where projects may have bid for additional funds or used contingencies to cover higher than expected inflation. A total reduction of £116m was identified, broken down as follows: Health Programme (£54m): Justice Programme (£25m): Schools for the Future Programme (£37m): The above sums are fed into the budget management and planning process in Departments, and will allow other priority projects to be planned and then proceed, which otherwise would not be the case.

Benefit Ref & Title:	G4 - Budget Recast (Initial)
Quantification:	**2011/12 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. **Value:** No change to last year's statement. The value of this benefit is re stated below for ease of reference. Benefit = £79m for capital funded projects. £37m capital saving to revenue funded projects which is equivalent to a £3.083m reduction in the annual unitary charge. **Profile:** No change to last year's statement. Savings are assumed to be accrued over the following timescales: Capital: 2011/12 - 2014/15 – assuming an even spread. Revenue: 2013/14 - 2037/38 - annual saving on UC over 25 year contract life. **Sharing:** No change to last year's statement. **Confidence:** No change to last year's statement. **Phasing:** No change to last year's statement.
Sharing:	Percentage share attributable to SFT – 50%
Confidence:	C – Good - Plans are in place to deliver the benefit but some third party commitment remains outstanding and/or significant stages remain outstanding to deliver the anticipated benefit. – 75%
Benefit Recognition Phasing:	Work attributable in: 2010/11 – 90%, 2011/12 – 10%

Benefit Ref & Title:	G5 - Asset Management.
Description:	The basis for this benefit is creating an environment and support function to reduce the cost of operating and maintaining the public sector property estate. The opportunity for SFT to work alongside central government and other public sector bodies delivering services to improve property and estate asset management and realise efficiencies. **1. Local Civil Estate** In 2010/2011 SFT undertook a pilot study using the public sector authorities operating in the south east hub territory to assess ways of improving property and estate asset management. The pilot study identifies the size of the opportunity to be in the range £130m to £280m over a five year period. The delivery of this benefit can be realised through a number of work streams which have been identified by the study. These activities will rely on the public sector bodies in that area working together in a collaborative manner and focusing on achieving the stated goals. The pilot project proposed that this scale of opportunity can be factored across the country – i.e. across all five hub territories – suggesting a potential overall benefit in the order of £1bn. **2. Central Government Core & Wider Estate** In 2010/2011 SFT undertook strategic development work to develop proposals to deliver enhanced value from centrally held land and assets. The work which examined ways of improving asset management identifies the size of the opportunity to be as follows: Within the core estate – annual savings of potentially up to c£12m (lower estimate based on 40% floor plate reduction) and avoidance of backlog maintenance capital spend of £5m. Within the wider government estate – annual savings of potentially up to c£16m (lower estimate) and avoidance of backlog maintenance capital spend of c£14m.

Benefit Ref & Title:	**G5 - Asset Management.**

Quantification:

2011/12 Benefit Quantification & Realisation Update

The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement.

Value:
No change to last year's statement. The value of this benefit is re stated below for ease of reference.

1. Local Civil Estate
The realisation of financial efficiencies in property and estate management in the local civil estate is likely to start low and then ramp up over the five year period. During 2011/2012 a similar diagnostic assessment and benefits case approach as conducted for the south east hub territory will be rolled out across the four other hub territories.

Whilst the pilot study in the south east hub territory identified the size of the opportunity to be in the range £130m to £280m over a five year period, for the purpose of this benefit SFT has assumed a modest target saving of £100m for each hub territory rolled out on a phased basis and split between capital and revenue to give an aggregate benefit for the local civil estate of £500m for all 5 hubs (50%) of the £1bn extrapolated from the pilot study. The assumed £100m profile for each hub territory is:

Capital	£5m	£5m	£10m	£20m	£25m	
Revenue		£2.5m	£5m	£5m	£10m	£12.5m

It is assumed that this benefit profile will kick-in for the south east hub from 2011/12, with each of the four other hubs phased in on a 12 month basis.

2. Central Government Core & Wider Estate
Within the core estate – annual savings starting at say c£1m pa in 2013/14, ramping up to c£12m from 2017/18. (Based on a lower estimate of 40% floor plate reduction) and avoidance of backlog maintenance capital spend of £5m over the first 3 years.

	13/14	14/15	15/16	16/17	17/18	
Capital	£1m	£2m	£2m	0	0	
Revenue		£1m	£2m	£3m	£6m	£12m

Benefit Ref & Title:	**G5 - Asset Management.** *(continued)*
Quantification:	It is assumed that the £12m pa is a recurring saving. Within the wider government estate – annual savings starting at £2m pa, ramping up to c£16m (lower estimate) and avoidance of backlog maintenance capital spend of c£14m over the first 4 years. 13/14 14/15 15/16 16/17 17/18 Capital £1m £2m £3m £8m 0 Revenue £2m £3m £5m £6m £16m It is assumed that the £16m pa is a recurring saving. Total estimated benefit over 2011/12 to 2019/20 = £1.362bn (Refer to profile in excel calculations sheet for further detail). **Profile:** No change to last year's statement. **Sharing:** No change to last year's statement. **Confidence:** No change to last year's statement. **Phasing:** The phasing of the recognition of this benefit has been updated to reflect SFT current resource and action plan for asset management.
Sharing:	50% SFT and others relevant partners.
Confidence:	D – Moderate
Benefit Recognition Phasing:	2010/11 (5%), 11/12 (15%), 12/13 (25%), 13/14 (25%), 14/15 (20%), 15/16 (10%)

Benefit Ref & Title:	G6 - NPD Programme "needs not wants" Challenge
Description:	The basis for this benefit is providing a cost challenge function to securing savings. SFT has taken a cost challenge role across the accommodation projects within the NPD programme to ensure that the scope and specification of projects is commensurate with the challenging economic climate and is truly addressing the needs and not wants of procurers and asset users. This role focuses on the individually procured NPD projects as the hub DBFM projects are subject to separate challenge functions. The level of challenge differs in each sector of the NPD programme depending upon the way in which the specification of the project is planned and delivered. The process can include : Reductions in contingency and optimism bias allocations (which would historically have been absorbed in project outturn costs); Fixed budget reductions to promote challenging value engineering during competitive dialogue through the use of "negotiable" and "non-negotiable" requirements; Specific challenge on space allocations through healthcare planner input in the acute health sector; and Specific challenge on elements of specification and space included in budgets in the colleges projects as evidenced through SFT's Decision Point responses. The challenge is being carried out for each project prior to it entering procurement.
Quantification:	During 2011 /12 the challenge has been carried out for the following projects: • Glasgow colleges project £190m • Inverness and Kilmarnock colleges projects combined £100m • Royal Hospital for Sick Children / DCN project £150m This exercise is underway or planned on: • North Ayrshire Community Hospital (c £45m) • Scottish National Blood Transfusion Service (c.£35m) The total value of the above projects is £520m (post challenge). On average the benefit of this exercise is estimated at 10% of overall capital cost estimate prior to the challenge taking place, leading to a commensurate unitary charge reduction. The level of benefit delivered in practice will be tracked and updated as the challenge progresses.
Sharing:	50% attributable to SFT, 50% to the procuring Authority that will have to procure and deliver to the challenging budgets set.
Confidence:	C – Good
Benefit Recognition Phasing:	10% in 2010/11, 60% in 2011/12, 30% in 12/13

Benefit Ref & Title:	**G7 - Low Carbon and Energy Efficiency – Spend to Save Street Lighting Replacement.**
Description:	Street lighting can account for up to 25% of local authorities energy spend and 25% of carbon emissions. SFT are developing two business cases to explore 'spend to save' financing models to fund energy efficient street lighting within two local authorities. The aim is to develop structures that could be rolled out across other local authorities in Scotland. The business cases will examine relevant technical options, possibilities for leveraging in European funding and the various commercial models which may be applicable to 'spend to save' initiatives, as well as identifying the potential savings both in financial and carbon terms.
Quantification:	Based on the analysis undertaken in developing the business cases, the following assumptions have been developed to estimate the potential savings that could be generated through the introduction of energy efficient LED street lighting and a control system. Savings have been calculated as a result of a reduction in the costs of maintenance, energy consumption and reduced fines levied through the Carbon Reduction Commitment.

Investment	Maintenance Savings	Energy Savings	Carbon Savings	Total	25 yr Energy Saving
£6.5m	£7m	£11m	£1.2m	£19.2m	63%

These figures are based on estimates for approximately 2% of the street lighting stock in Scotland over a 25yr period, but do not take into account any cost of finance associated with the investment.

Based on the outputs of the data presented above, an annual cash flow has been developed that takes into account a phased investment programme and also includes the cost of finance associated with the investment. For the purposes of this benefit statement, it has been assumed that 20% of local authorities in Scotland would introduce the type of investment programme identified above. This results in an aggregate saving of £57.4m over 25 year after the cost of finance has been allowed for, with the potential to realise such savings from 2015.

Sharing:	50% SFT/50% Local Authorities
Confidence:	D – Moderate Business Cases with two authorities nearing completion that demonstrate potential benefits; roll out of procurement and wider implementation yet to commence, 55%
Benefit Recognition Phasing:	2011/12 – 25%; 2012/13 – 50%; 2013/14 – 25%

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