SCOTTISH FUTURES TRUST

Supporting Material

August 2013

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 2012-13 - 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
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 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

Benefit Ref & Title:	**A1 - SFT Consolidated Avoided Cost Benefit**
Description:	In SFT's 2011/12 benefit statement SFT quantified this benefit as the avoid cost of the public sector having to procure external professional advisers to develop and support the range of initiatives and programmes it is working on. During 2012/13 SFT has continued to support the roll out and delivery of current projects and programmes such as the TIF initiative, hub, schools and waste as well as the NPD and Asset Management programme. Additionally during 2012/13 SFT has developed new initiatives and programmes relating to the housing and low carbon sectors. Should the skills and resources of SFT not been available to support the development and delivery of the above the public sector would have to have engaged external professional advisers and additional cost to achieve the same outputs.

Benefit Ref & Title:	A1 - SFT Consolidated Avoided Cost Benefit
Quantification:	**2011/12 Benefit Quantification & Realisation Update** **Value:** The basis for estimating the value of this benefit is as follows: Last year the quantification of this benefit was based on 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. This year SFT's professional staff's head count has increased to 39. Therefore the same calculation has been adopted simply with an increased headcount. Given current market conditions, no increase has been made to the assumed charge out rate. **39x £1,200/day x 224 working days x 33% utilisation = £3.5m 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 percentage allocated to each benefit year to date reflects to the relative proportion of each year's avoid cost to the total avoided cost to date.
Sharing:	SFT – 100%
Confidence:	A - Certain
Benefit Recognition Phasing:	9/10 – 22%, 10/11 – 22%, 11/12 – 22%, 34% - 12/13

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 which have invited SFT's support 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 many waste infrastructure projects and initiatives 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:	**2012/13 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. During 2012/13 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 (which reached contract award in June 2012), the Clyde Valley Group, and the Joint Edinburgh and Midlothian Zero Waste Programme, SFT is continuing to work with the project teams established by Dundee & Angus Councils, and Aberdeen City Council for their waste treatment initiatives. This year saw the collaboration between North, East and South Ayrshire Councils being disbanded. However, in withdrawing from the Ayrshire collaboration, North Ayrshire Council has joined the Clyde Valley Group. **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:** The profile of this benefit remains the same as last year. **Sharing:** The 50% sharing with local authorities remains unchanged. **Confidence:** The confidence factor has been increased to 'C' Good, given the successful award of Glasgow City Council's residual waste project. **Phasing**: The phasing of this has been extended to 15/16 to reflect the current pipeline of the residual waste programme in Scotland. 9/10 – 15%, 10/11 – 20%, 11/12 – 25%, 12/13 – 25%, 13/14 -15%
Sharing:	SFT – 50%, local authorities – 50%
Confidence:	C – Good – Plans are in place to deliver.
Benefit Recognition Phasing:	9/10 – 10%, 10/11 – 20%, 11/12 – 20%, 12/13 – 20%, 13/14 -15%, 14/15 – 10%, 15/16 – 5%

Benefit Ref & Title:	**B1a & B1b - TIF – Development of the Model**
Description:	The basis for this benefit is the creation of additional public sector infrastructure investment which, but for the development of this new initiative, would not have happened, or would not have happened in the timescales and on the scale envisaged under TIF. SFT has worked throughout 2009-2013 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 three initial pilot projects will bring forward c.£233 million of public sector infrastructure investment in Scotland . 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 capital spend profile has been revised and the timing of the TIF expenditure is now assumed to occur between 2013/14 and 2016/17. The Glasgow project received full approval in October 2012 and is now on site. The timings of the capital spend of the Glasgow and Ravenscraig projects have also been amended to reflect the status of the projects. Alongside, the initial 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 to move to the production of TIF business cases in support of proposals within these regions. The Falkirk and Argyll & Bute Business cases have seen significant progression in 2012/13 and will be finalised shortly. The Fife business case has also progressed and is expected in early 2013/14. The public sector investment related to these three projects has been forecast as c. £100m. The 2011/12 Benefit Statement included £92m for the Aberdeen TIF pilot project. Further to a Council vote on this project, this will not form part of the TIF pilot administration programme and as such has been removed from the 2012/13 Benefits Statement. It should be noted that significant private sector investment is anticipated to be unlocked as a result of the TIF investment in public sector enabling infrastructure. Based on information provided to SFT to date, we assume a ratio of 1:4 is appropriate as a minimum level to assume across the TIF programme, I.e. private sector investment of over £1bn. This has not been captured under this benefit.

Benefit Ref & Title:	**B1 - TIF – Development of the Model**
Description:	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 investment 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 Scottish Ministers. To date this has included the Edinburgh, Ravenscraig and Glasgow projects. 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, TIF Executive meetings have been held in relation to the Edinburgh, Glasgow and Ravenscraig projects.

Benefit Ref & Title:	**B1a & B1b - TIF – Development of the Model**
Quantification:	**2012/13 Benefit Quantification & Realisation:** The original basis of the quantification was set out in SFT's 2010/11 benefits statement. We have amended the basis of quantification in the 2012/13 benefits statement to reflect the varying levels of certainty in relation to the quantum and timing of public sector investment across the programme. For the purpose of the benefits modelling, Benefit B1 has been split into B1a and B1b and a different confidence factor has been applied to each (See "Confidence below"). The Benefits Statement will, however, continue to report a single benefit B1 which reflects the benefits that can be attributed to the TIF pilot programme as a whole. During the past year, SFT has continued to work with the initial 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** £92m relating to the Aberdeen TIF pilot project has been removed. The Ravenscraig value has been refined (c.£73m versus £78m in 2011/12) Values for the three new pilot projects (Argyll & Bute, Falkirk and Fife) have been refined as further information has become available. **Profiling** The profiling of all of the TIF pilot projects has been changed to reflect the current understanding of the different projects. Given the above, and based upon the detailed business cases and currently available information (Including draft business cases), for SFT estimates that the public sector capital values of the TIF pilot projects are as follows: **Wave 1 pilots** Edinburgh — £80m Glasgow — c. £80.0m Ravenscraig (North Lanarkshire) — £73m Total — c. £233m **Wave 2 pilots** Argyll & Bute — c. £19m Falkirk — £61.3m Fife — £20.0m Total — c. £100m **Wave 1 and 2 Total** — **£422.7**

Benefit Ref & Title:	B1a & B1b - TIF – Development of the Model
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 2013/14 and 2027/2028. Noted below is the forecast annual public sector capital expenditure for the 6 current pilot projects: 2013/14: £9.68 2014/15: £68.07m 2015/16: £123.25m 2016/17: £63.91m 2017/18: £11.74m 2018/19: £17.86m 2019/20: £18.25m 2020/21: £10.87m 2021/22: £4.92m 2022/23: £1.28m 2023/24: £1.24m 2024/25: nil 2025/26: nil 2026/27: nil 2027/28: £1.5m **Total: c. £333m**
Sharing:	33% SFT. Other parties involved: Local authorities and Scottish Government.

Benefit Ref & Title:	**B1a & B1b - TIF – Development of the Model**
Confidence:	For the purpose of modelling the TIF benefit the TIF pilot programme projects were split into two categories which each attract a different confidence factor (see below). This approach was taken in order to reflect the different stages the projects are at in the TIF process and the varying levels of certainty in relation to the quantum and timing of public sector investment across the programme. **B1a (Glasgow, Falkirk and Argyll & Bute): –B – Very Good (90%)** Spend profile: 2013/14: £2.2m 2014/15: £29.5m 2015/16: £65.4m 2016/17: £14.6m 2017/18: £10.3m 2018/19: £9.0m 2019/20: £8.8m 2020/21: £10.9m 2021/22: £4.9m 2022/23: £1.3m 2023/24: £1.2m 2024/25: nil 2025/26: nil 2026/27: nil 2027/28: £1.5m TOTAL: C. £160m **B1b (Edinburgh, Fife and Ravenscraig): C – Good (75%)** Spend profile: 2013/14: £7.5m 2014/15: £38.6m 2015/16: £57.8m 2016/17: £49.3m 2017/18: £1.4m 2018/19: £8.8m 2019/20: £9.5m 2020/21: nil 2021/22: nil 2022/23: nil 2023/24: nil 2024/25: nil 2025/26: nil 2026/27: nil 2027/28: nil TOTAL: C. £173m
Phasing:	2009/2010 – 20%, 2010/2011 – 20%, 2011/2012 – 20%, 2012/2013 – 20%, 2013/2014 – 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 contracts signed for NHT phase 1 have a value of £92.7m 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 phase has now been completed. This is discussed in greater detail under B3. In addition, a smaller more targeted procurement under this original NHT initiative has been launched and will be implemented during 2013/14. 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; and • Working with Scottish Government, local authorities and the private sector to maintain their support for this new initiative and sign deals. SFT continues to have a long term involvement in the governance of the NHT initiative. This is allowing 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. To date (July 2013), under Phase 1, a total of 430 new homes have been handed over and occupied with a further 101 to be occupied during the

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. In previous years the forecast value was estimated at £102m. The actual capital value of £92.7m, adopted for this year's benefit statement, is reflective of the actual transactions signed. The breakdown of this value per local authority area is given below. Aberdeen City – 41 Units - £6.8m City of Edinburgh – 422 Units - £93.5m Dundee City – 15 Units - £2.0m Falkirk – 27 Units - £3.3m Highland – 57 Units - £9.7m Scottish Borders – 51 Units - £8.7m Stirling – 16 Units - £2.4m **Profile** The spend profile of this additional £92.7m of investment is as follows: 2011/12 - £2,390,000 2012/13 - £23,389,260 2013/14 - £61,062,250 2014/15 - £5,812,500
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. Benefit 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, six contracts were awarded and the procurement process was completed in March 2013. In terms of outputs the capital value of phase 2 is forecast at £54m.
Quantification:	**2011/12 Benefit Quantification & Realisation:** The benefit amount is based upon the contracts signed (£54m) The breakdown of this value per local authority area is given below. Aberdeen City – 44 units - £7.1m Clackmannanshire – 28 units - £4.1m Dumfries and Galloway – 69 units - £9.1m Dundee City – 99 units – £13.7m Fife - 62 units - £8.7m Highland – 78 units - £15.5m **Profile** The spend profile of this additional £54m of investment is as follows: 2013/14 = £4m 2014/15 = £50m
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:	A – Certain
Benefit Recognition Phasing:	2011/2012 – 50% 2012/2013 – 50%

Benefit Ref & Title:	**B4 – NHT Council Variant – Development of the NHT Council Variant**
Description:	The basis for this benefit is the creation of additional investment which, but for the delivery of the NHT Council Variant, would have been unlikely to happen. This benefit B4 provides background to the development of the NHT Council Variant and SFT's role. Following the success of NHT phase 1, phase 2 was launched in November 2011. Soon after the procurement commenced it was clear that the demand for affordable Units sought by one Council, the Stirling Council, would not be met by developers. SFT met with Stirling Council to discuss their objectives and together with Stirling Council developed a variation to the original NHT model which is designed to allow Stirling Council to fulfil its housing and regeneration objectives. This NHT Council Variant, although based on the same principles as NHT, has a significantly different risk profile, contractual structure and "outputs" as it incorporates both refurbished and new-build properties, thus including both the primary and secondary housing markets. In addition, the council will be the heart of the delivery of this variant; being in control of how many and when it purchases properties over a period of three years. This model is also capable of replication to all other Council areas in Scotland.
Quantification:	**2012/13 Benefit Quantification & Realisation:** The benefit amount has been based upon the expected spend to be delivered as follows: 2013/2014: £5m 2014/2015: £20m 2015/2016: £25m 2016/2017: £5m This figure will be assessed / amended as the project moves forward. . First houses have been secured in Cowie on 14/5/13.
Sharing:	50% SFT, 50% local authority
Confidence:	C- Good
Benefit Recognition 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:	**2012/13 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:	**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:	**2012/13 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 2012/13 in preparation for procurement launch which took place in December 2012. 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 has assisted in ensuring a level playing field between bidders and a strong competition for the project between three shortlisted bidders. On the strength of this level of competition being secured the confidence factor has been increased from “C”- Good to “A” - Certain.
Quantification:	**2009/10 Benefit Quantification & Realisation:** Not applicable **2010/11, 2011/12 and 2012/13 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:	A – Certain
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:	**2012/13 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 2013 there are 6 NPD projects in procurement that will use the new standard form contract (3 college projects and 3 acute health projects). 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. 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. In addition, the first two NPD projects that were launched to market – Inverness College and City of Glasgow College – have now appointed preferred bidders within the aggressive procurement timetables that were set prior to OJEU. In May 2013 Inverness College reached financial close 17 months after OJEU. This is half the historic average for such projects. This speed on early projects, coupled with the fact that other projects in the NPD programme are setting equally aggressive procurement timetables, gives greater confidence that the benefits of the standard contract (reduced contract development and negotiation leading to savings in procurement time) will be delivered. The confidence factor attributed to this benefit has therefore been increased to "C – Good". **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 Inverness College NPD Project moving into the subsequent financial year and the Royal Hospital for Sick Children NPD Project moving to 2014/2015. For full details of the revised benefit profile please see the supporting spreadsheet. Given the nature of NPD there is a strong argument that curtailing the benefit stream at ten years which, after a year of procurement and 4 years of construction, only counts the saving for the first five years out of a 25 year contract is understating the potential benefit. Once contracted for the benefit will be reflected throughout the life

Benefit Ref & Title:	C6 - NPD Contract – Saving in Procurement Time
Quantification:	of the project. However a consistent methodology, using the ten year cut off, has been maintained for the core benefit sensitivities used in the Benefit Statement. 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 one of the sensitivities reported, 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 has been increased to "C" - Good. **Benefit Recognition Phasing:** The phasing remains unchanged from 2010/11. The sharing of the benefit remains unchanged at 100% SFT. The confidence factor remains as "D" – Moderate. The phasing remains unchanged from 2010/11.
Sharing:	100% is attributable to SFT.
Confidence:	C - Good
Benefit Recognition Phasing:	60% 2010/2011, 40% 2011/2012

Benefit Ref & Title:	C6a - NPD Contract – Saving in Procurement Time – (Construction Price Inflation Impact)
Description:	Benefit C6 captures the benefit the production of standard form documents to reduce procurement costs on both the public and private sector side. This benefit C6a captures the benefit that a reduced procurement period will have on the construction price that is locked into the financial model on NPD projects at contract award. Average procurement times across the NPD programme are much reduced from previous comparable projects and jurisdictions where SFT does not operate. In its Autumn Statement 2012, HM Treasury reported that procurement periods for PFI projects remain "stubbornly" at an average of 35 months. Within the NPD programme the average programmed procurement period is around 20 Months, with early College projects showing good progress to close in under that timescale. A conservative estimate is that SFT supported NPD projects will close in 12 months under the 35 month average quote by HMT for PFI projects in other jurisdictions. Reducing the procurement period by 12 months results in a lower construction price being locked into the financial model at contract award through avoiding the need for contractors to build in an extra year's worth of construction price inflation. The procurement time savings will therefore lead on average to 3% capital cost saving, and a 3% reduction in the Government Unitary Charge support across the programme.
Quantification:	**2012/13 Benefit Quantification & Realisation Update** **Value:** The value of this benefit relates to NPD projects only and not revenue funded hub projects. The benefit of a reduced procurement time for revenue funded hub projects is captured in Benefit D1. The total value has been derived from the current revenue financed programme affordability model managed by SFT. The total value is £135m **Profile:** The profile has been derived from the current pipeline of NPD projects.
Sharing:	**Sharing:** 100% of this benefit has been allocated to SFT.
Confidence:	**Confidence:** Given the progress made on early NPD College Projects, the confidence factor has been assumed to be "C" – Good.
Benefit Recognition Phasing:	

Benefit Ref & Title:	C6a - NPD Contract – Saving in Procurement Time – (Construction Price Inflation Impact)
	Benefit Recognition Phasing: The NPD has a procurement programme covering the period 2012/13 to 2015/16. The recognition of this benefit has been applied equally to each of these four years of the overall programme.
Sharing:	100% is attributable to SFT.
Confidence:	C – Good
Benefit Recognition Phasing:	25% 2012/13, 25% 2013/14, 25% 2014/15, 25% 2015/16

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 priced 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:	**2012/13 Benefit Quantification & Realisation Update** The original basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. For 2012/13 there is no change to the basis on which this benefit has been quantified. **Value:** As stated above, the value of this benefit has been determined on the same basis as previous years. However some key assumptions have been up dated: • The current values of all revenue projects have been update to reflect the current position; • The insurance risk share has now been applied to the two NPD transport projects; and • The savings profile has been updated to reflect the current revenue spend profile for the NPD programme. **Change in Law Risk –** No value attributed. **Insurance General Market Risk –** Est. Aggregate Capital Value of NPD Projects – Increased from £1,500m to £2,948m Estimated Operational Insurance Cost - £2,948m x 0.25% = £7.37m Assumed SoPC4 Private Sector Risk Premium – 20% x £7.37m = £1.47m 50% saving on risk premium = 50% x £1.47m = **£740k/yr** **Utilities Volume Risk –** Est. Agg Capital Value of Accommodation NPD Projects - £1,868m Estimated total utility cost - £1,868m x 2.5% = £46.7m Assumed Private Sector Risk Premium – 4.5% x £46.7m = £2.10m 50% saving on risk premium = 50% x £2.10m = **£1050k/yr** **Malicious Damage Risk -** Est. Aggregate Capital Value of NPD Projects - £2,948m Of which Schools - £791m & Others £1,077m Est. Floor space based on £2,000/m2 = 934,000m2 FM Charge @£25/m2 = £23.5m /yr Vandalism Risk for Schools @ 7.5% = 7.5% x (791/1,868) x 23,350,000 = £742k Vandalism Risk Others @ 2.5% = 2.5% x ((1,077)/1,868) x 23,350,000 = £337k Total = £742k + £337k = £1,078k/yr **25% reduction in risk premium = £270k/yr** **Total = £740k + £1050k + £270k = £2.06m/yr**

Benefit Ref & Title:	**C7 - NPD Contract – Optimal Risk Transfer**
Quantification:	**Profile:** The profile of this saving has been updated to reflect the current forecast revenue profile for the full NPD pipeline. **Sharing:** The sharing of the benefit remains unchanged at 100% SFT. **Confidence:** The confidence has been increased to "B" – Very Good as theses risk positions have been accepted by the market **Benefit Recognition Phasing:** The phasing remains unchanged from 2011/12.
Sharing:	100% attributable to SFT.
Confidence:	B – Very Good
Benefit Recognition Phasing:	2010 / 11 -33%, 2011/12 – 67%

Benefit Ref & Title:	C8 - NPD Programme & Revenue hub Projects – Reduced Cost of Capital
Description:	The basis for this benefit is the creation of financing structures that could lead to a lower cost of borrowing. In previously years this benefit was restricted to the estimated reduced cost of borrowing for both the M8 and the AWPR Transport project. This year it is considered appropriate to apply a forecast reduction in the cost of capital to all NPD projects and all revenue funded hub projects. During 2012/13 SFT supported the Aberdeen Health and Care Village project secure financial close. In an environment of constrained access and increasing costs of conventional project finance, SFT played a key role in creating an environment which secured senior debt funding from the pension fund sector at an attractive price. Whilst not in 2012/13, SFT also supported the Forres, Woodside, and Tain medical centres (bundled as a single project) reach financial close using the same senior debt provider at a similarly attractive cost of finance. Creating and sustaining an environment whereby pension funds view such projects as an attractive opportunity for deployment of their capital will bring significant benefits to the public sector. For the NPD programme the funding requirements are an order of magnitude greater than that of the hub programme. SFT therefore continues to work with banks, the EIB and institutional investors to enable affordable financing solutions for these major projects. During 2012/13 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: • Improved security position, especially during the construction period, such as higher bonding levels and increased liability caps to attract capital markets financing • Introducing mezzanine finance to project financing • Discussions with institutions regarding investing debt into infrastructure projects, either on an individual project basis or on a collective basis across a number of projects. • Using credit enhancement wraps including incorporation of the European Investment Bank's Project Bond Credit Enhancement product for road projects.

Benefit Ref & Title:	C8 - NPD Programme & Revenue hub Projects – Reduced Cost of Capital
Quantification:	**2012/13 Benefit Quantification & Realisation Update** Based upon its work to date on hub DBFM and early NPD projects SFT is confident that at this stage it can assume that its interventions in this area will help realise a 0.5% reduction in the cost of capital for revenue funded infrastructure projects in both the NPD and hub programmes. **Value** The value of this benefit is based on 0.5% reduction in the cost of capital to all projects in the NPD and hub programmes and the associated reduction in the cost of revenue support provided by the Scottish Government. **Profile:** The cash flow profile of this benefit is driven of the current affordability model for the overall revenue funded programme. Please see the financial model for more details. **Sharing:** The sharing of the benefit remains unchanged at 50% SFT, 50% Scottish Government/Transport Scotland. **Confidence**: The confidence factor remains increased to “C” – Good. **Benefit Recognition Phasing:** The phasing has been update to reflect the on-going work to realise a lower cost of borrowing.
Sharing:	50% attributable to SFT.
Confidence:	C - Good
Benefit Recognition Phasing:	20% in 2010/11, 30% in 2011/ 12, 20% in 2012/13, 20% and in 2013/14, 10% 2014/15.

Benefit Ref & Title:	**C9 - Return on working Capital Investment**
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
Quantification:	**2012/13 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. In 2012/13 the final two hubCos were established and the benefit relating to all five can now be included. For each hubCo the total working capital invested is £1.0m, of which the public sector contributes 40% (£400k). **Value:** The rates of return on Working capital investment are 4.5% in North, 5% in South East, 5% in East Central, 6.5% in West and 5% in South West respectively **Total estimated benefit split over 2010/11 – 2014/15** = (4.5% x £400k) + (5% x £400k) = £38k/yr for 5 years. (for North and South East) **Total estimated benefit split over 2011/12 – 2015/16** = (5% x £400k) = £20k/yr for 5 years. (for East Central) **Total estimated benefit split over 2013/14 - 2016/17** = (6.5% x £400k) + (5% x £400k) = £46k/yr for 5 years. (for West and South West) **Profile:** Based on the above the resultant profile of this benefit is assumed to be: **10/11** £38,000 · **11/12** £58,000 · **12/13** £104,000 · **13/14** £104,000 · **14/15** £66,000 · **15/16** £46,000 **Sharing:** The sharing of the benefit remains unchanged at 50/50. **Confidence:** The confidence factor has been increased to A as all hubCos are now in place. **Benefit Recognition Phasing:** The phasing has been updated to reflect the work done in 2012/13 to close the West and South West hub initiatives.
Sharing:	50% SFT, 50% public sector participants.
Confidence:	A – Certain - All hubCos now established and investments in place – 100%
Benefit Recognition Phasing:	30% 2009/10, 30% 2010/11, 30% 2011/12, 10%2012/13.

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 as a result of the hub delivery model. Last year it was assumed that the removal of the need to carry out procurement via OJEU for each individual project procured through the hub programme should save around an average of 6 months in procurement time per project. As stated in benefit C6a, the average procurement times across the revenue funded programme is much reduced from previous comparable projects and jurisdictions where SFT does not operate. In its Autumn Statement 2012, HM Treasury reported that procurement periods for PFI projects remain "stubbornly" at an average of 35 months. Within the NPD programme the average programmed procurement period is around 20 Months, with early College projects showing good progress to close in under that timescale. A conservative estimate is that SFT supported revenue projects will close in 12 months under the 35 month average quote by HMT for PFI projects in other jurisdictions. Over the last three years the earlier delivery of projects and the reduction in internal and advisory transaction costs has been assumed to equate to 2% of the capital cost of each project of all projects in hub pipeline. This year it is considered appropriate to increase this value to 3% for revenue funded projects. Adopting the rational as adopted for benefit C6a, reducing the procurement period by 12 months results in a lower construction price being locked into the financial model at contract award through avoiding the need for contractors to build in an extra year's worth of construction price inflation. The 2% saving has been maintained for capital/D&B projects. For the purpose on this benefit the hub pipeline has been based on contracts awarded in 11/12 and 12/13 as well as the current envisaged programme of D&B and DBFM projects for 13/14. The potential size of the future hub pipeline been updated to reflect the most recent figures provided by public sector participant organisations. A smoothed profile of projects has been assumed based upon the current ten year pipeline by territory. The number of DBFM projects for the first four years is based upon the current known number of DBFM projects/bundles in each hub territories' delivery plan. This equates to [one] contract closing in 12/13 and around [6] contracts being completed either as standalone or bundled projects in 13/14. Beyond 13/14 it has been assumed that in aggregate the five hub territories will deliver, on average, 8 DBFMs a year.

Benefit Ref & Title:	D1 - Hub Programme – Reduced Procurement Time
Quantification:	**2012/13 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. 2% capital cost saving for D&B and 3% for DBFM through accelerated development and reduced internal and bought-in costs of transactions. This saving will be delivered to public sector budgets in each year that a D&B project is delivered and over each of the 25 year operational period for of DBFM projects. For DBFM projects the reduction in the unitary charge has been estimated as the reduction in the capital cost divided by 12. This is a simple proxy to estimate the reduction in and capital and interest repayment that for part of the unitary charge. **Value:** Based on the above methodology and the current hub pipeline the aggregate of the annual value of this benefit is £125m up to 2037. The annual value ranges from a low of £380k to a maximum of £5.44m in 2020/21. For details of the quantification of this benefit please refer to tab "C9, D1-D5 Supporting Info (hub)" of the benefits financial model. **Profile:** The profile has been updated as discussed above **Sharing:** The sharing profile has not changed since last year **Confidence:** Confidence remains at B – Very good **Benefit Recognition Phasing:** Phasing profile has not changed and is based on the period over which SFT work to establish each of the five hubCos.
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:	The phasing applied to recognising this benefit remains unchanged from last year at 2009/10 - 40% , 2010/11 - 30%, 2011/12 - 20%, 2012/13 - 10%

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 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 for the first five years, then a further 0.5% per annum until a real terms reduction in costs of 10%. 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. At this stage, the wider operational cost saving and service delivery benefits of hub have not been quantified. The potential size of the hub pipeline over the next ten years has been revised in 2012/13 based on the most recent figures provided by participant's organisations. For the purpose on this benefit the hub pipeline has been based on contracts awarded in 11/12 and 12/13 as well as the current envisaged programme of D&B and DBFM projects for 13/14. The potential size of the future hub pipeline been updated to reflect the most recent figures provided by public sector participant organisations. A smoothed profile of projects has been assumed based upon the current ten year pipeline by territory. The number of DBFM projects for the first four years is based upon the current known number of DBFM projects/bundles in each hub territories' delivery plan. This equates to one contract closing in 12/13 and around 6 contracts being completed either as standalone or bundled projects in 13/14. Beyond 13/14 it has been assumed that in aggregate the five hub territories will deliver, on average, 8 DBFMs a year.

Benefit Ref & Title:	D2 - Hub Programme - Capital costs Continuous improvement
Quantification:	**2009/10, 2010/11& 2012/13 Benefit Quantification Realisation:** Capital cost continuous improvement saving through supply chain efficiencies and benchmarking / monitoring. This saving will be delivered to public sector budgets in each year that a D&B project is delivered and over each of the 25 year operational years for of DBFM projects. For DBFM projects the reduction in the unitary charge has been estimated as the reduction in the capital cost divided by 12. This is a simple proxy to estimate the reduction in capital and interest repayments. **2012/13 Benefit Quantification Realisation:** **Value:** The value of the benefit in SFT's 11/12 statement has been amended to take account of changes to the size of the project pipeline and split of capital vs. revenue funding. Based on the above methodology and the current hub pipeline the aggregate of the annual value of this benefit is £271m up to 2037. The annual value ranges from a low of £640k to a maximum of £15.5m in 2020/21. For details of the quantification of this benefit please refer to tab "C9, D1-D5 Supporting Info (hub)" of the benefits financial model. **Profile:** The profile has been updated as discussed above **Sharing:** The sharing allocation has not changed since last year **Confidence:** Confidence remains at C - Good **Phasing:** Phasing profile has not changed since last year and is based on the first ten years of the hub programme over which SFT will work with each hubCo to drive continuous improvement.
Sharing:	50%
Confidence:	C - Good
Benefit Recognition Phasing:	The phasing applied to recognising this benefit remains unchanged from last year at 10% per annum for the first ten years of the hub programme.

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. For the purpose on this benefit the hub pipeline has been based on contracts awarded in 11/12 and 12/13 as well as the current envisaged programme of D&B and DBFM projects for 13/14. The potential size of the future hub pipeline been updated to reflect the most recent figures provided by public sector participant organisations. A smoothed profile of projects has been assumed based upon the current ten year pipeline by territory. The number of DBFM projects for the first four years is based upon the current known number of DBFM projects/bundles in each hub territories' delivery plan. This equates to [one] contract closing in 12/13 and around [6] contracts being completed either as standalone or bundled projects in 13/14. Beyond 13/14 it has been assumed that in aggregate the five hub territories will deliver, on average, 8 DBFMs a year.

Benefit Ref & Title:	**D3 - Hub Programme – Bid Cost Savings**
Quantification:	**2012/13 Benefit Quantification Realisation:** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement, which is restated below. The saving is assumed to be £0.5m per DBFM project –£0.375m spent per bidder on average and an average of 1.5 losing bidders per project. 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. 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 **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. Based on the above methodology and the current hub pipeline the aggregate of the annual value of this benefit is £92.2m up to 2037. The annual value ranges from a low of £0k to a maximum of £3.7m in 2024/25. For details of the quantification of this benefit please refer to tab "C9, D1-D5 Supporting Info(hub)" of the benefits financial model.

Benefit Ref & Title:	D3 - Hub Programme – Bid Cost Savings
Quantification:	**Profile**: The profile has not changed **Sharing:** The sharing profile has not changed **Confidence:** Confidence remains at B – Very good **Phasing**: Phasing profile has not changed and is based on the period over which SFT work to establish each of the five hubCos.
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:	The phasing applied to recognising this benefit remains unchanged from last year at 2009/10 - 40% , 2010/11 - 30%, 2011/12 - 20%, 2012/13 - 10%

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 & 2012/13 Benefit Quantification Realisation:** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement For the purpose on this benefit the hub pipeline has been based on contracts awarded in 11/12 and 12/13 as well as the current envisaged programme of D&B and DBFM projects for 13/14. The potential size of the future hub pipeline been updated to reflect the most recent figures provided by public sector participant organisations. A smoothed profile of projects has been assumed based upon the current ten year pipeline by territory. The number of DBFM projects for the first four years is based upon the current known number of DBFM projects/bundles in each hub territories' delivery plan. This equates to one contract closing in 12/13 and around 6 contracts being completed either as standalone or bundled projects in 13/14. Beyond 13/14 it has been assumed that in aggregate the five hub territories will deliver, on average, 8 DBFMs a year. 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 2011/12s 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 2012/13 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. Based on the above methodology and the current hub pipeline the aggregate of the annual value of this benefit is £56m up to 2037. The annual value ranges from a low of £140k to a maximum of £2.2m in 2024/25. For details of the quantification of this benefit please refer to tab "C9, D1-D5 Supporting Info(hub)" of the benefits financial model. **Profile:** The profile has not changed **Sharing:** The sharing profile has not changed **Confidence:** Confidence has been increased to B – Very Good given that all five hubCos are now in place. **Phasing:** Phasing profile has not changed and is based on the period over which SFT work to establish each of the five hubCos.
Sharing:	50%
Confidence:	B – Very Good
Benefit Recognition Phasing	The phasing applied to recognising this benefit remains unchanged from last year at 2009/10 - 40% , 2010/11 - 30%, 2011/12 - 20%, 2012/13 - 10%

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 the procurement process. As part of the procurement of hub territory partners, SFT focussed on (amongst other things) investment return requirements of bidders. It was anticipated that a 3% reduction in IRR will be achieved when compared to an average PFI project delivered historically in the UK. All five hubCos are now in place and whilst the IRR bid back by each hubCo remains confidential, the evidence available to SFT indicates that this 3% reduction was a conservative assumption. 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 & 2012/13 Benefit Quantification Realisation:** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. For the purpose on this benefit the hub pipeline has been based on contracts awarded in 11/12 and 12/13 as well as the current envisaged programme of D&B and DBFM projects for 13/14. The potential size of the future hub pipeline been updated to reflect the most recent figures provided by public sector participant organisations. A smoothed profile of projects has been assumed based upon the current ten year pipeline by territory. The number of DBFM projects for the first four years is based upon the current known number of DBFM projects/bundles in each hub territories' delivery plan. This equates to [one] contract closing in 12/13 and around [6] contracts being completed either as standalone or bundled projects in 13/14. Beyond 13/14 it has been assumed that in aggregate the five hub territories will deliver, on average, 8 DBFMs a year. **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. Based on the above methodology and the current hub pipeline the aggregate of the annual value of this benefit is £106m up to 2037. The annual value ranges from a low of £260k to a maximum of £4.3m in 2023/24. For details of the quantification of this benefit please refer to tab "C9, D1-D5 Supporting Info (hub)" of the benefits financial model. **Profile:** The profile has not changed **Sharing:** The sharing profile has not changed. **Confidence:** Confidence has been increased to A – Certain as all five hubCos are now in place and the bid back IRRs are known to SFT. **Phasing:** Phasing profile has not changed and is based on the period over which SFT work to establish each of the five hubCos.
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	The phasing applied to recognising this benefit remains unchanged from last year at 2009/10 - 40% , 2010/11 - 30%, 2011/12 - 20%, 2012/13 - 10%

Benefit Ref & Title:	D6 - Dialogue Stage Public Sector Savings
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 from that quantified in 2011/12 **Profile:** The profiling has not changed since last year. **Sharing:** Sharing remains the same as last year. **Confidence:** Confidence remains at A - High **Phasing:** Phasing has changed and is based on the period over which SFT work to establish each of the five hubCos.
Sharing:	50%
Confidence:	A – High – Benefit has already been delivered. – 100%
Benefit Recognition Phasing:	The phasing applied to recognising this benefit has changed from last year to 2009/10 - 40% , 2010/11 - 30%, 2011/12 - 20%, 2012/13 - 10%

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. The main school buildings for both the Lasswade Centre & Eastwood High School were handed over to the respective councils on 31st May ,on Programme and on Budget to allow occupation when the schools return from the summer break in August. The demolition of the existing schools will now be progressed to permit the creation of the external works and playing fields which is programmed to be completed by Christmas. Feedback from the schools, the wider community and other Councils who have already visited both schools has been very positive. Comments range from how spacious the buildings appear to the quality of both the natural light and the general building fabric. Midlothian Council has already undertaken an analysis of its cleaning staff and confirmed that the compact design solution requires less cleaning than the existing school.

Benefit Ref & Title:	D7 - Schools Programme – Pilot Project Savings
Quantification:	**2012/13 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 was assumed. 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 based on more detailed information was assumed 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. In 2012/13 construction of both schools continued and the main buildings of both schools were completed on 31st May 2013 on programme and will be occupied in August 2013 when both schools return after the summer recess. Demolition of the existing schools and construction of the external areas including the playing fields will commence in July 2013 immediately after the schools stop for the summer recess and will continue until Christmas which will signal the entire projects being complete. **Value:** 5.73% capital cost saving on combined £70m project = £4.011m saving. **Profile:** The profile has been updated to reflect the actual construction programme. **Sharing:** The sharing of the benefit remains unchanged at 50% SFT 50% local authorities. **Confidence:** The confidence factor remains at B – Very Good. **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. 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 In 2012-13 the third and final phase of the programme was announced taking the total number of schools identified to 67. Much progress has been made since the programme was announced with six schools open and a further nine in construction. The first primary school opened in 2012 following completion in 2011.The first secondary schools are scheduled to be completed in 2013. The programme is delivering good quality, well designed, sustainable schools at a competitive price. One of SFT's key roles is to provide evidence-based constructive challenge to the early identification of needs for new school facilities. A small number of key factors drive the 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 roll (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. It is expected that £530m of Scotland's Schools for the Future programme will be delivered using revenue funding. The revised total benefit reflects the change in funding profile.

Benefit Ref & Title:	D8 - Schools Programme – Needs Identification
Quantification:	**2012/13 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2009/10 benefit statement. In 2012/13 the number of schools in the programme increased from 37 to 67. The 2012/13 benefit has been updated to reflect the increased number of schools in the programme. 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 36 schools Saving calculated at £48.5m Area per pupil — Average area per pupil reduced from 12.8m^2 to 11.0m^2 / pupil Cost per m^2 — Average cost reduced from £2,660/ m2 to £2,200/ m^2 Saving calculated at £260m across 36 schools (area and £/ m^2) TOTAL — £302m of benefit across 36 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 Special Education Needs (SEN):** A total benefit across 31 primary schools of £57.8m has now been identified through a combination of design capacity, area requirement and unit cost effects. This has been increased this year to reflect an increase in the total number of primary schools from 21 to 31. 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 increase in the total number of schools from 14 to 36 secondary and 21 to 31 primary and one SEN school resulting in the total benefit delivered through the needs identification process increasing from is £176m to £409m split £264m to SFT reflect the funding support provided by Scottish Government and the remaining £145m to Local Authorities.

Benefit Ref & Title:	**D8 - Schools Programme – Needs Identification** *(continued)*
Quantification:	Last year the overall benefit was assumed to be delivered across the years of the investment programme from 10/11 to 17/18. For 2012/13's benefit statement SFT has assumed that only the benefit associated with capital funded projects will be realised over this period, where as the benefit associated with revenue funded projects will be realised over the contract term of such DBFM schemes. To simplify the modelling work, SFT has assumed that all primary schools will be capital funded and that all secondary schools will be revenue funded. Also that for revenue funded schools the forecast reduction in the unitary charge resulting from the capital cost reduction will kick-in from 2015/16. **Value:** Updated as noted above. For further details please see tab reference "D8 Supporting Info" of SFT Financial Benefit Model. During 2011/12, further work was undertaken to agree an updated 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:** The profile has been updated as noted above, assuming capital projects realise the forecast benefit over programme period 2010/11 to 2017/18 and the revenue funded schools realise the forecast benefit from 2014/15 for a 30 year contract term. **Sharing:** Remains unchanged from last year. **Confidence:** The confidence has been increased to B – Very Good on the basis that all 67 schools in the programme have been identified and the financing metrics agreed. **Benefit Recognition Phasing:** The phasing has been updated to reflect the launch of phase 3 in 2012/13.
Sharing:	100% SFT (for its element of funding as explained above which actually represents a 67:33 split SFT:LA)
Confidence:	B – Very Good -- 90%
Benefit Recognition Phasing	2009/10 – 50%, 2012/13 – 50%

Benefit Ref & Title:	**D8a - Schools Programme – Needs Identification – Further Savings**
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/m2 with a base date of 2Q 2009 was 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/m2 with a base date of 2Q 2011 will be used going forward. Inflating the 2Q 2009 cost metric of £2,200/m2 to 2011/12 prices gives a figure of £2,353/m2 and hence a further saving to the remaining 33 Secondary Schools in the programme of £453/m2 (£2,353 - £1,900)
Quantification:	**2012/13 Benefit Quantification & Realisation Update** Total area in current secondary school programme updated to 373,150m2. This reflects the total number of secondary schools in the programme to which this £1,900 metric will apply. This is an increase from the 129,500m2 assumed last year. Therefore the total Benefit now = £453/m2 x 373,150m2 = £169m. A factor of 67% has been applied to this value to reflect the funding allocation for secondary schools to give a benefit value of £113m. The profile over which this benefit will be realised is as per the assumptions made this year for revenue funded schools in Benefit D8.
Sharing:	100% SFT (although as explained above this applies to the 67% funding stream from SFT so in effect there is a 67:33 sharing mechanism)
Confidence:	The confidence has been increased to B – Very Good on the basis that all 67 schools in the programme have been identified and the financing metrics agreed.
Benefit Recognition Phasing:	2011/12 – 50%, 2012/13 – 50%

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 September 2012, the Scottish Government announced the third and final phase of the programme increasing the number of schools being delivered from 55 to 67, a dozen more than envisaged at the outset of the programme. 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 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. Time and costs savings. • 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. • Promotion of pilot secondary school project and reference primary school design information.

Benefit Ref & Title:	D9 - Schools Programme – Continuous Improvement Savings
Quantification:	**2012/13 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 was anticipated. Total potential savings of £35m, requiring ongoing SFT and Local Authority work to deliver, were identified. In 2012/13 the Scottish Government confirmed that £530m of the £800m SG support for 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 SG / LA revenue funded: £530m + £265m = £795m 3% saving = £24m Equivalent Unitary Charge reduction = £2.0m per annum Assume benefit will be realised from 2014/15 to 2038/39 Capital funded (Total less Revenue): £385m 3% saving = £11.6m Assume benefit will be realised evenly from 2010-11 to 2017-18 In September 2012, the Scottish Government announced the third and final phase of the programme increasing the number of schools being delivered from 55 to 67, a dozen more than envisaged at the outset of the programme. 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
Quantification:	**Value:** Updated as noted above. **Profile:** Updated as noted above. **Sharing:** The sharing of the benefit remains unchanged at 50% SFT / 50% local authorities. **Confidence:** The confidence factor remains at C - Good. **Benefit Recognition Phasing:** The phasing remains unchanged from 2010/11. **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:	D10 – Hub Programme – Affordability Cap Savings in NHS
Description:	The basis for this benefit is savings to the NHS through the introduction of a formal affordability cap setting process. Historically in setting budgets for NHS projects, the process adopted has been to build a budget based on starting with a market construction cost based on a cost per square metre then adding a risk contingency of circa 10% and additional optimism bias allowance of a further 15-20%. Once a budget was then set and agreed many project costs would then come out very close to the top line budget due to a combination of factors including scope creep, over specification of quality levels and contractor pricing close to budget. The affordability cap guidelines, which form a key part of the hub project approval process, has required the budget setting to be based on using intelligent cost benchmarks based on a basket of similar projects to determine a cost rate and adding risk premiums based on a risk register of specific values against t known risk. The result is an affordability cap that is significantly lower which then drives behavioural changes where end user groups are reluctant to ask for more.
Quantification:	**2012/13 Benefit Quantification Realisation:** This is a new benefit given the guidance was issued in early 2012/13. Early indications are that this has had a significant impact on reducing costs. The NHS Lanarkshire Health Centre bundle had an original budget of £55m and a New Project Request (NPR) was issued to hubCo at £46m. Phase 1 of the Royal Edinburgh Hospital projects budget reduced from £18m to £12m. Glenwood Hospital and CAMHS Hospitals budgets reduced from £12.6m to £9.9m. **Total estimated benefit for 2012/13 = £165m** **Value:** The benefit has been calculated by taking the hub NHS pipeline with a value of £587m and applying a savings ratio to the total project costs. The estimated cost of NHS projects in the hub pipeline for the next three years are based on the new hub project estimating and approval process. Had the traditional approach been adopted the values in the pipeline would be high to reflect historic practices of adding allowances for risk and optimism bias. For the following years the estimated spend has not be subject to this adjustment. As these projects come forward for consideration during the hub project approval process they will be subject to the same rigour as those which are currently being developed by hubCos.

Benefit Ref & Title:	D10 – Hub Programme – Affordability Cap Savings in NHS
Quantification:	To estimate the value of this benefit the following approach has been adopted. 1. For projects in years 1 to 3 of the current hub pipeline it has been assumed that a 15% OB allowance has been stripped out but that they still contain a 10% allowance for risk. 2. For projects in years 4 and beyond it has been assumed that 15% OB allowance remains within the figures in the pipeline in addition to a 10 % risk allowance. Therefore a 15/110 ratio has been applied to projects in years 1 to 3 whereas projects in years 4 and beyond have had a 15/125 ratio applied The calculated saving has been modified to only reflect 75% of the potential to allow for the fact that the historical budgets will not always have been spent in full. **Profile:** Please refer to the benefits financial model tab C9, D1 – D5, D10 supporting info. In building up this benefit profile it has been assume that the capital projects realise a benefit in the year of spend and for revenue projects the benefit is realised when the unitary charge payments commence; which are assumed to be two years after the project commences. For revenue funded projects the benefit realised has been divided by 12 as a simple proxy to estimate the reduction to the unitary charge. **Sharing:** Applied at 50/50 between SFT and the NHS **Confidence:** Confidence has been set at "C" - Good given the systems and procedures in place through the hub programme to manage project out-turn costs against initial price estimates. **Phasing:** Phasing has changed and is based on the period over which SFT work to establish each of the five hubCos.
Sharing:	SFT 50%, NHS 50%
Confidence:	C – Good 75%
Benefit Recognition Phasing:	The recognisation of this benefit has been spread equally over the 10 year project pipeline.

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:	**2012/13 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 2011/12 Benefit Statement. The quantification of this benefit will not be subject to change in future years given that the assurance work is complete and the project is now in construction. For ease of reference last year's text is restated below. 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:	A – Certain – Contract Awarded. Contracts have been awarded and construction has 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. SFT undertakes a Project Assurance role on public sector infrastructure projects where it is either taking a leading role or supporting others in project delivery. This benefit related to SFT's project assurance role on hub projects and DBFM schools projects. This benefit is separate to the 'Needs not Wants' Scrutiny and Challenge Benefit G6 for NPD accommodation projects as well as benefit G3 Waste Projects Reduced Gate Fees which capture the benefits of SFT undertaking a similar project assurance function on these programmes.

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. **2012/13 Benefit Quantification & Realisation Update** In 12/13 SFT continued to validate revenue funded hub projects. In 2012/13 SFT commenced the validation of 36 hub projects with a total capital value of c. £566m. The full list of new projects which are being subjected to SFT's project assurance process in 12/13 is given below.

Progamme	**Project/Bundle**	**Territory**	**Capital Value**
Hub DBFM	Woodside Medical Centre	N	10.3
	Forres Health Centre	N	2.5
	Tain Health Centre	N	7
	Firrhill Partnership Centre	SE	3.1
	NW Edinburgh Partnership Centre Muirhouse	SE	9
	Blackburn partnership Centre	SE	40
	Royal Edinburgh Mental Health	SE	5.9
	East Kilbride Hunter Health Centre	SW	6
	Kilsyth Community Health Centre	SW	
	Wishaw Community Health Centre	SW	
	Dundee Child & Adolescent Mental =Health Facility	EC	8
	Unlicensed Medicines Production	EC	12.1
	Gorbals Health Centre	W	10
	Woodside health Centre – GGC	W	10.7
	Maryhill Health Centre	W	5
	Eastwood Health & Care Centre – Clarkston	W	10

Benefit Ref & Title:	**E2 - Validation - Standard Accommodation Projects**
Quantification:	

Progarmme	Project/Bundle	Territory	Capital Value
DBFM Schools	Wick High School	N	26.8
	James Gillespie High	SE	33.6
	Brechin High School	EC	24
	Clyde Valley High School	SW	23
	Newbattle High School	SE	22
	Kelso High School	SE	18
	Inverness Royal Academy	N	25
	Elgin High School	N	17
	Anderson High School	N	36
	Alford	N	21
	Forfar Academy	EC	25
	Buckhaven High School / Kirkland High School	EC	32
	Barrhead High School	W	18
	Our Lady and St Patricks High School	W	21
	Dalbeattie High School	SW	10
	Greenfaulds High School	SW	27
	Baldragon Academy	EC	23
	Garnock Academy	SW	24
		Total	**£566m**

This brings the total value of revenue projects subjected to SFT's project assurance process to c£828m to date.

Benefit Ref & Title:	**E2 - Validation - Standard Accommodation Projects**
Quantification:	**Value:** As per last year, zero benefit has been attributed to any internal validation that SFT has undertaken on the NHT initiative. Recognising that the full validation process will not be complete for these projects until 13/14, the estimated capital value of each of these projects has been spread over two years 12/13 and 13/14. As per last year and the associated methodology for quantifying the benefit of SFT's validation process (see Annex A) the reduction is capital cost as a result of the project assurance process is estimated at 0.6%. 0.6% of £297.45m = £1.78m. Dividing this number by 12 (a proxy to estimate the reduction in unitary charge for each revenue project) gives an annual benefit of £148,725 per annum which is additional to value determined last year. For full details of this benefit profile please refer to tab "E2 Supporting Info" on the benefits financial model sheet. **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 2012/13 and forecast future validation work in 13/14.
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 – 15%, 2010/11 – 15%, 2011/12 – 2%, 2012/13 – 34%, 2013/14 – 24%

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:	**2012/13 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. 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 changes to “C” – Good. **Benefit Recognition Phasing:** Remains unchanged from last year.
Sharing:	33.3% shared equally between Scottish Government/Transport Scotland, CMAL and SFT.
Confidence:	Confidence factor: C – Good - Investment programme implemented to date reflects the revised profile described above. 75%
Benefit Recognition Phasing:	50% of work attributable to 2009/10, 50% to 2010/11.

Benefit Ref & Title:	**F1(A) - Operational Projects Support (General) & F1(B) Targeted Benefits**
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 obtain the standard of service for which they are paying, 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 "hands on" reviews, the dissemination of best practice, robust contract management and a focus on strategic issues.
Quantification:	**2012/13 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit has been adjusted as explained below to reflect the change in approach which SFT has adopted during this year and which it plans to adopt moving forward. During 2012/13 SFT has formed a regionally based collaborative network of local authorities which have schools PPP contracts. In addition, SFT is working alongside the NHS on an ongoing initiative, involving all health boards, on the contract management of PPP contracts. It has also continued to work with a number of public bodies on individual issues to identify savings that can realised from existing PPP projects. This general operational support continues. In the latter part of the year, and following additional resource being taken on in the operational support sector, SFT has also undertaken an in depth review of existing schools PPP contracts to demonstrate the benefits which can be realised by a focus on robust contract management and specific areas where savings and efficiencies can be realised. The areas where benefits have been realised in this in depth review include: • Improved service delivery following the enforcement of the contract through the introduction of a performance monitoring regime; • Establishing protocols resulting in the operation of the contract with a better tie up between the services specification and the payment mechanism; • Establishing protocols resulting in a reduction in the Councils outlays associated with malicious damage claims; • the implementation of energy efficiency measures; • Repayments and ongoing savings due to the reduced utilisation of the facilities. The review has also identified opportunities in the future in relation to: • Changes to service specifications; • Savings within the non PPP estate due to better utilisation of the PPP faculties; • Savings due to a change in insurance premium sharing risk

Benefit Ref & Title:	F1(A) - Operational Projects Support (General) & F1(B) Targeted Benefits
Quantification:	**Value:** This year, rather than forecasting the future benefits based on the assumption that the benefit profile will ramp up to an estimated £5.5m per annum from 2015/16 onwards on a general basis, SFT has elected to identify the benefit in two ways: (A) on an authorities wide basis, the estimated future benefits of our initiatives including working through the collaborative network and NHS advisory group which are not otherwise included in the authority specific benefits referred to in (B) below; and (B) on a case by case basis the value each targeted intervention is likely to bring. Given this change in approach, the general benefit value associated with establish operation PPP support of the has been reduced to £2m per annum from 2015/16, complemented by the itemisation of the estimated value of targeted interventions made to date. For further details please see tab "F1 Supporting Information" on SFT's Financial Benefit Model. This sets out the profile for both the general operational PPP support benefit value as well as the profile of the target savings from discrete interventions. **Profile:** The profile for the general operational PPP support has been change to: 013/14 £500k, 2014/15 £1m, 2015/16 onwards £2m Please see tab "F1 Supporting Information" on SFT's Financial Benefit Model for the profile of target savings for each discrete intervention. **Sharing:** For both F1(A) and F1(B) the sharing has been set at 50% SFT, 50% authorities. **Confidence:** The confidence level for the general operational support activities (Part A) remains at "D" Moderate. However, given that a more targeted approach for Part (B) the overall confidence has been taken as "C" – Good. **Benefit Recognition Phasing:** This has been updated to reflect the fact that the recorded benefits primarily relate to work undertaken by SFT in 2012/13.
Sharing:	50% of this benefit is attributable to SFT, 50% to the public bodies managing the contract. (A) D - Moderate (reflecting the confidence of the equivalent benefit last year). (B) C - Good (reflecting the increased confidence from the targeted interventions)
Confidence:	In relation to (A): 10% - 2009/10, 10% - 2010/11, 10% - 2011/12, 20% - 2012/13, 25%- 2013/14, 25%- 2014/15
Benefit Recognition Phasing:	In relation to (B): 5% - 2009/10, 5% - 2010/11, 10% - 2011/12, 80% - 2012/13

Benefit Ref & Title:	G1 - Waste – Procurement Timetable Benefits – Avoided Disposal Costs
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.
Quantification:	**2012/13 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. During 2012/13 the residual waste project pipeline has continued to evolve to take cognisance of changes to policy and legislation, such as the Waste (Scotland) Regulations 2012. However, as stated in the last two years' 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. These assumptions have been retained for the 2012/13 benefit statement. **Value:** The residual waste treatment capacities being procured by Glasgow City Council (GCC) and, Edinburgh/Midlothian Councils (CEC/MLC) are now circa 200ktpa and 135ktpa. This year the Ayrshire collaboration has been excluded and replaced by the Clyde Valley collaboration The updated values for 2012/13 are as follows: GGC - £3.50/t x 200,000t/yr x 0.5yrs = £350k Edi/Mid Residual - £3.50/t x 135,000t/yr x 0.5yrs = £236.25k Clyde Valley - £3.50/t x 190,000t/yr x 0.5yrs = £332.5k

Benefit Ref & Title:	**G1 - Waste – Procurement Timetable Benefits – Avoided Disposal Costs**
Quantification:	**Profile:** The profile of the benefit associated with these projects has been updated to reflect the current project timetables. |	GCC (Residual)	CEC/MLC (Residual)	Clyde Valley (Residual) | Years of creation: 2009/10 to 2011/12 (GCC); 2009/10 to 2013/14 (CEC/MLC); 2009/10 to 2014/15 (Clyde Valley) Years of delivery: 2014/15 (GCC); 2017/18 (CEC/MLC); 2019/20 (Clyde Valley) **Sharing:** The sharing of the benefit remains unchanged at 50/50. **Confidence:** Despite Glasgow City Council's contract now having been awarded and having secured planning permission, the confidence factor remains as "C" – Good, given the work on-going on other procurements, which are less advanced. **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:	9/10 – 10%, 10/11 – 20%, 11/12 – 20%, 12/13 – 20%, 13/14 -15%, 14/15 – 10%, 15/16 – 5%

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 and continues to 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. In 2012/13, the Glasgow residual waste project reached contract award and secured planning permission- the first major Scottish residual waste project to close for many years.

Benefit Ref & Title:	G2 - Waste – Service Cost Benefits (Reduced Gate Fees) Other than Clyde Valley
Quantification:	**2012/13 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. During 2012/13 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 (which reach contract award in June 2012), the Clyde Valley Group, and the Joint Edinburgh and Midlothian Zero Waste Programme, SFT is continuing to work with the project teams established by Dundee & Angus Councils, and Aberdeen City Council for their waste treatment initiatives. This year saw the collaboration between North, East and South Ayrshire Councils being disbanded. However, in withdrawing from the Ayrshire collaboration, North Ayrshire has joined the Clyde Valley Group. It is 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 2012/13 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 contracted for by Glasgow City Council (GCC) is 200ktpa, and Edinburgh/Midlothian Councils (CEC/MLC) are procuring 135ktpa of treatment capacity. This year the Ayrshire collaboration has been excluded. Whilst work has commenced to support Aberdeen City Council's waste programme, as well as developments relating to Dundee Council's existing incineration at Baldovie. These two initiatives are at the very early stages of development and it has been considered prudent no to recognise any benefit from these initiatives this year. GGC - £4.10/t x 200,000t/yr = £820k Edi/Mid Residual - £4.10/t x 135,000t/yr = £553.5k 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 reached financial close in February 2013. SFT has not changed the basis for quantifying this benefit. The value for 2012/13 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

Quantification:	**Total estimated benefit (prior to phasing adjustment) =**
	
	£820k/yr x 25 yrs (GCC) + £553.5k/yr x 25 yrs (CEC/MLC (Residual) + £45.6k/yr x 20 yrs (CEC/MLC (Food))
	
	= £35.021m
	
	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)
	Years of creation | 2009/10 to 2011/12 | 2009/10 to 2013/14
	Years of delivery | 2014/15 For 25 years | 2017/18 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:
	Despite Glasgow City Council's contract now having been awarded and having secured planning permission and the joint Edinburgh/Midlothian Food Waste Contract being awarded, the confidence factor remains as "C" – Good, given the work on-going on other procurements.
	
	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:	9/10 – 10%, 10/11 – 20%, 11/12 – 20%, 12/13 – 20%, 13/14 -15%, 14/15 – 10%, 15/16 – 5%

Benefit Ref & Title:	**G3 - G3 and G3a - Waste – G3 Service Cost Benefits (Reduced Gate Fees) - Clyde Valley residual waste project & G3a Avoidance of Excess Capacity.**
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. In 2012/13 the Clyde Valley group received formal approval from five councils to commence procurement, making it one of the largest multi-authority procurements in Scotland. 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.
Quantification:	**2012/13 Benefit Quantification & Realisation Update** The basis of the quantification of this benefit was set out in SFT's 2010/11 benefit statement. During 2012/13 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 project team conclude the production of the Outline Business Case (OBC) for a joint residual waste treatment project, including supporting the development of governance arrangements and the inter-authority agreements. Formal joint working arrangements have now been agreed and procurement commenced in January 2013. During 2012/13, North Ayrshire elected to join this collaborative project. During the finalisation of the joint working arrangements SFT played a significant role in encouraging the project team to review the future waste projections of each partner council in light of long-term waste policy objectives and current trends in waste arisings. This resulted in a reduction of the required treatment capacity, which reduces both the risk of procuring capacity in excess of what will be required in the long-term, and of committing a larger quantity of waste to a long-term contract than can be sustained over its term. This is a general point that applies to all long-term waste procurements. Therefore, SFT has included in this benefit an allowance of 50ktpa at £100/t of 'fresh air payments' (payments for shortfalls against contractually guaranteed minimum tonnages) avoided through SFT's interventions, commencing in 2029/30 for a period of 15 years.

Benefit Ref & Title:	G3 - G3 and G3a - Waste – G3 Service Cost Benefits (Reduced Gate Fees) - Clyde Valley residual waste project & G3a Avoidance of Excess Capacity.
Quantification:	Therefore the following changes have been made to the benefit quantification **Value:** The quantification of this benefit relating to reduced Clyde Valley gate fees is (as per last year) 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 2019/20. However the tonnage has been reduced to 190,000t to reflect the revised maximum capacity of the five partner councils (including North Ayrshire Council). As stated above an additional assumption has been made that SFT's interventions will mitigate the risk of circa 50,000tpa of 'fresh air' payments from 2029/30. **Profile**: The profile of the forecast savings on the Clyde Valley reflects the OBC, with treatment services forecast to commence in 2019/20, based on a 25 year contract. The avoided fresh air payments commence in 2029/30 for a period of 15 years. **Sharing:** The sharing of the benefit remains at 50% SFT, 50% local authorities. **Confidence:** The confidence remains at 'C' (Good): although the Clyde Valley project has now commenced procurement, this is still a complex project. **Benefit Recognition Phasing:** The phasing of the benefit recognition remains unchanged from last year.
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 were fed into the budget management and planning process of individual Departments, and allowed other priority projects to be planned and then proceed, which otherwise would not be the case.

Benefit Ref & Title:	G4 - Budget Recast (Initial)
Quantification:	**2012/13 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. It has been assumed that savings identified by SFT have been redeployed by government departments to enable additional priority projects to progress. 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 (A) - Asset Management Local Estate, G5(B) – Asset Management Central.
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 has been created for SFT to work alongside central government and other public sector bodies delivering services to improve property and estate asset management and realise efficiencies. This year, the benefit has been split into Part A and B to reflect the implementation of the programme for both the Local and Central Estate. **Part A. 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 £500m. **Part B. 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 and avoidance of backlog maintenance capital spend of £5m. Within the wider government estate – annual savings of potentially up to c£16m and avoidance of backlog maintenance capital spend of c£14m.

Benefit Ref & Title:	G5 (A) - Asset Management Local Estate, G5(B) – Asset Management Central.
Quantification:	**2012/13 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. **Part A. 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. In 12/13 SFT completed a diagnostic review of the various asset management practices across all public sector participants within each of the five hub territories. The original 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. SFT's diagnostic review work in 12/13 has validated this initial view of the scale of benefits that can be realised across the local authority civil estate. However, for the purpose of this benefit SFT continues to assume 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 As per last year, 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. SFT's initial focus during 12/13 has been to identify opportunities relating to surplus property within the local government estate. **Part B. Central Government Core & Wider Estate** Deploying resources on the asset management activities associated with the central government estate started later than originally planned. The resultant effect is that the work required to realise the forecast capital and revenue savings identified in last year's benefit statement will be more "back-ended". This is reflected in the change to the benefit recognition profile below. The forecast savings for the central government estate remain as below, but the realisation of the financial benefits has been put back 12 months. Within the core estate – annual savings starting at say c£1m pa in 2014/15, ramping up to c£12m from 2018/19, and avoidance of backlog maintenance capital spend of £5m over the first 3 years.

Benefit Ref & Title:	G5 (A) - Asset Management Local Estate, G5(B) – Asset Management Central.
Quantification:	See below

	14/15	15/16	16/17	17/18	18/19
Capital	£1m	£2m	£2m	0	0
Revenue	£1m	£2m	£3m	£6m	£12m

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 and avoidance of backlog maintenance capital spend of c£14m over the first 4 years.

	14/15	15/16	16/17	17/18	18/19
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 for the Asset Management Programme is = £1.333bn (Part A £0.5bn, and Part B £0.833bn) (Refer to financial model for further detail).

Profile:
Part A - The profile of the potential benefits for the local estate remains unchanged from last year.

Part B – As stated above the potential benefit for the central estate remains unchanged in terms of value but has been put back 12 months to reflect the current programme.

Sharing:
Part A - The sharing of Part A has been changed from 50% to 33% to reflect the input of a much wider stakeholder group to this asset management initiative.
Part B - The sharing for part B remains at 50/50.

Confidence:
Whilst the asset management programme has secured Ministerial support and that significant mobilisation work (including data gathering and staff recruitment) has been completed, the confidence factor has been held at D – Moderate for both Part A and Part B.

Phasing:
The phasing of the recognition of this benefit has been updated to reflect SFT current resource and action plan for asset management for both Part.

Benefit Ref & Title:	**G5 (A) - Asset Management Local Estate, G5(B) – Asset Management Central.**
Sharing:	Part A - 33% SFT and others relevant partners. Part B – 50/50 SFT, Scottish Government
Confidence:	Part A – D - Moderate Part B - D - Moderate
Benefit Recognition Phasing:	Part A – 2010/11 (5%), 11/12 (10%), 12/13 (10%), 13/14 (15%), 14/15 (20%), 15/16 (20%), 16/17 (20%) Part B - 2010/11 (5%), 11/12 (10%), 12/13 (10%), 13/14 (15%), 14/15 (20%), 15/16 (20%), 16/17 (20%)

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 and the benefit of this is captured under Benefit E2 Validation – Standard Accommodation Projects. 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.

Benefit Ref & Title:	**G5 (A) - Asset Management Local Estate, G5(B) – Asset Management Central.**
Quantification:	During 2012/13 the challenge has been carried out for the following projects: • North Ayrshire Community Hospital (c£45m) • Scottish National Blood Transfusion Service (c£35m) • Dumfries and Galloway Royal Infirmary (c£200m) The total value of the projects reviewed this year and in previous years is £720m (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. **Profile:** The profile of this benefit has been updated to reflect the target service commencement date for the current 7 NPD projects as follows Glasgow Colleges Aug-16 Inverness Colleges May-15 Kilmarnock Colleges Aug-15 RHSC Mar-17 North Ayrshire Community Hospital Mar-16 Scottish National Blood Transfusion Service Apr-16 Dumfries & Galloway RI Nov-17 **Sharing:** The sharing of the benefit remains unchanged at 50% SFT, 50% Scottish Government/NHS Scotland. **Confidence:** The confidence has been increased to "C" – Good given the progress that has been made with the front runner NPD projects. **Benefit Recognition Phasing:** The phasing of recognising this benefit remains unchanged from last year.
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' electricity spend and 25% of electricity related carbon emissions. During 2012/13 SFT developed two pilot business cases to explore 'spend to save' financing models to fund energy efficient street lighting within two local authorities. The aim was to develop structures that could be rolled out across other local authorities in Scotland. The business cases examined relevant technical options, possibilities for leveraging in European funding and the various commercial models which may be applicable to local authority 'spend to save' initiatives, as well as identifying the potential savings both in financial and carbon terms. Following on from this SFT, in conjunction with SCOTS, have developed a street lighting Toolkit to enable Local Authorities to explore the investment need and potential benefits of an energy efficiency investment in street lighting assets comprising the use of LEDs to upgrade existing lanterns. In order to assess the potential investment need and benefits of a pan-Scotland implementation of LED lighting, SFT and SCOTs have engaged with all 32 Local Authorities in Scotland to provide an initial high level indication of the benefits of such an investment to report to Scottish Government.
Quantification:	The basis for quantifying this benefit remains unchanged from that adopted in SFT's 2012/13 benefit statement. However, estimates of forecast costs and resultant savings have been updated to reflect more up to date information using the information received as part of the pan-Scotland analysis. For ease of reference the basis of the calculation with updated numbers is restated below. Based on the analysis undertaken in developing the pan-Scotland report, the following assumptions have been developed to estimate the potential savings that could be generated through the introduction of energy efficient LED street lighting. Savings have been calculated as a result of a reduction in the costs of maintenance, energy consumption and the reduced cost of the Carbon Reduction Commitment. A summary of the potential upfront costs and savings for Scotland over a 20 year post-upgrade period are summarised in the table below

Investment Cost (Nominal)	Maintenance Savings	Energy Savings	Carbon Savings	Total	Energy Saving
£298m	£472m	£815m	£33m	£1.32bn	67%

Benefit Ref & Title:	G7 - Low Carbon and Energy Efficiency – Spend to Save Street Lighting Replacement.
	The nominal figures above are based on information provided by all 32 Local Authorities on their existing street lighting stock 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 an investment programme and also includes an assumed cost of finance associated with the investment. For the purposes of this benefit statement, it has been assumed that 30% of Local Authorities in Scotland would introduce the type of investment programme identified above with installation from 2015/16 to 2017/18. The 30% take up is on the basis of interest from the seven cities in Scotland as well as the two authorities involved in the pilot programme and which represents a 10% increase from the 20% assumed in 2011/12. These assumptions result in an aggregate saving of £153m over a 20 year operational period after the cost of finance has been allowed for, with the potential to realise such savings from 2015/16. For full details of the forecast annual savings please refer to tab "G7 Supporting Info" of the benefits financial model.
Sharing:	50% SFT/50% Local Authorities
Confidence:	C – Good. Both pilot projects have now been approved by the Councils involved and they are now undertaking detailed conditions surveys prior to moving towards procurement. Whilst wider roll out of the procurement and implementation is yet to commence, given the additional resources allocated to this initiative it is considered reasonable to assume a 75% confidence factor to the assumption that 30% of local authorities in Scotland will take forward this type of initiative. This has been updated from last to reflect the current forecast of SFT's input to this benefit. The benefit recognition phasing is now as follows:
Benefit Recognition Phasing:	• 2011/12 – 10% (previously 25%) • 2012/13 – 30%; (previously 50%) • 2013/14 – 30%; (previously 25%) • 2014/15 – 10%; (previously 0%) • 2015/16 – 10% (previously 0%) • 2016/17 – 5% (previously 0%) • 2017/18 – 5% (previously 0%)

SCOTTISH
FUTURES
TRUST

Supporting Material

1st Floor
11-15 Thistle Street
Edinburgh
EH2 1DF

T +44 (0) 131 510 0800
E mailbox@scottishfuturestrust.org.uk
W scottishfuturestrust.org.uk