



SCOTTISH
FUTURES
TRUST

corporate plan
2009 - 2014

The Scottish Futures Trust (SFT) is an independent company, established by the Scottish Government in 2008, with a responsibility to deliver value for money across all public infrastructure investment. SFT operates at arms' length from the Government but works closely with the public sector to seek and deliver improved value for taxpayers.

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The logo for the Scottish Futures Trust, featuring the words "SCOTTISH", "FUTURES", and "TRUST" stacked vertically in a blue, serif font. The text is set against a light blue, textured rectangular background.

SFT will produce an annual business plan. The next programmed update to this corporate plan will be to coincide with the publication of the next comprehensive spending review, once the implications of that review on infrastructure investment in Scotland are known.

This corporate plan was produced in-house by SFT. Cover image © Allx | Dreamstime.com

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"We will work to increase the efficiency and effectiveness of public infrastructure investment in Scotland with the objective of improving value for money."

introduction

This is the Scottish Future Trust's inaugural Corporate Plan. The Plan covers the 2009-2014 period and sets out our approach to increasing the efficiency and effectiveness of infrastructure investment in Scotland with the objective of improving value for money.

In September 2008 the Scottish Futures Trust was created under the chairmanship of Sir Angus Grossart to improve infrastructure investment planning and delivery in Scotland. SFT's challenge is to overhaul the historic arrangements by: increasing emphasis on delivery, reducing reliance on outside professionals and over complex structures and reinforcing decision-taking and leadership.

To meet that challenge SFT is a new and developing expert body that provides better value to the public purse by seeking out international best practice and being radical in its approach to developing the expertise and investment models for a range of public infrastructure projects that will include new schools, hospitals and transport projects for Scotland.

In May 2009, Chief Executive Barry White took up post with his first priority being the recruitment of a SFT team to work with public sector organisations to seek and deliver improved value for money. That initial objective has been achieved.

In June 2009 SFT published its first annual Business Plan which outlined SFT's involvement in 13 projects with a total value of £2.7billion. Shortly after publication we were given the additional responsibility of leading and driving forward a new schools construction programme valued at £1.25billion. 2009 has also seen SFT

managing the £1billion *hub* community infrastructure partnership programme. *hub* is now being driven forward by SFT and is in active procurement.

SFT is an independent company wholly owned by Scottish Ministers and accountable through its Board of Non-Executive Directors. SFT's arms' length operating status enables us to be ecumenical in our approach and recommendations, and to concentrate on the pursuit of value for money.

SFT has been set challenging savings and benefits targets by the Scottish Government of 3% in aggregate across the investment plan which would total some £100-£150million each year once we become fully operational. This requires active involvement in projects with an in-year spend of £4billion.

SFT intends that savings and benefits will be derived from its five main areas of activity:

- **Delivery** - beginning with the *hub* and schools programmes this role is anticipated to grow as new projects, where SFT can add value, are identified.
- **Aggregation and Collaboration** - bringing radical approaches to aggregation and collaboration to projects across sectors and regions.
- **Funding and Financing** - innovating and improving funding structures will put us in a strong position to respond to investment opportunities and maximise value for the public sector.
- **Validation** - applying more stringent due diligence, which has often in the past been the preserve of private funders, to infrastructure investment deals.
- **Centre of Expertise** - working with others to develop new and better

forms of appraisal, execution and delivery. Using knowledge transfer and applying the lessons learned, we will not be bound by existing structures or methodologies.

This plan sets out our approach to realising benefits and outlines the measurement techniques and evidence base which will enable us to record our progress against targets.

SFT welcomes the scrutiny that our activities attract. We will work in a transparent way to promote partner and public trust. We see ourselves as a highly professional independent body which is as focused on the execution and delivery of infrastructure investment as it is on the development of strategies. We aim to help our partners to deliver enhanced public services despite the tough financial environment.

We are open-minded to suggestions about how best to achieve value for money and we have been encouraged by our continuing discussions with public and private organisations across Scotland. For us to succeed we cannot act unilaterally but need those partners to bring forward projects and be willing to work with us and collaborate with others. Developing strong partnerships will determine our effectiveness and is key to our success.

Sir Angus Grossart, Chairman
Barry White, Chief Executive

"Independent of mind and ecumenical in our approach, we will add innovation to existing good practice and be a task force working across public and commercial sectors to deliver best value."

background and context

Overview

Each year the Scottish Government and its related public sector bodies spend some £5 billion on infrastructure. SFT's role is: to support the challenging investment plan; to use the skills and experience of public and private sector organisations; and to apply the lessons learned from previous procurements in order to achieve the best possible value for money for the people of Scotland.

SFT recognises and acknowledges the importance of recent analyses done by a variety of bodies in relation to infrastructure investment in Scotland. Valuable work has been done by a number of organisations including:

- Audit Scotland, in its review of major capital projects;
- The Scottish Parliament's Finance Committee, in its inquiry into methods of funding capital investment projects;
- The Council of Economic Advisors, in its first annual report; and
- The McClelland Report.

Their findings illustrate that, while there are some examples of good practice, there is room for improvement. Unclear decision making, over-reliance on outside professionals, process being prioritised over commercial delivery and over-complex structures have all

contributed to the need to seek new and better ways of procuring and delivering infrastructure.

SFT, by having a permanent team at the heart of the public sector, can provide and retain knowledge previously vested in outside professionals. With SFT providing this expertise the public sector can avoid knowledge being purchased and repurchased by different sections of the public sector.

Our plan for 2009-2014 responds to the wider economic challenges and how they might impact on planned infrastructure investment. The need to achieve value from the available funds is greater than ever and SFT will play a key role in seeking and achieving maximum impact.

Scottish Government Objectives

The Scottish Futures Trust is committed to working with all public sector bodies in order to make a significant contribution to the Scottish Government's strategic objectives of making Scotland wealthier and fairer, smarter, healthier, safer and stronger, and greener.

Wealthier and Fairer

We have a key role in creating a wealthier and fairer Scotland through the realisation of our mission to maximise value for money in infrastructure

investment. By enabling major infrastructure projects to move forward to delivery we will generate opportunities for employment and make Scotland a more attractive place in which to live, work and invest.

The *hub* and schools programmes will bring pipelines of construction projects to many parts of Scotland, allowing people from all regions to share in increased opportunities as well as enjoy the benefits of new community facilities.

We will also seek to promote fairness through innovative regeneration. By exploring the potential for tax incremental financing schemes, among others, we can play a role as a catalyst for new urban regeneration.

Major transport projects such as the new Forth Replacement Crossing, in which SFT will play its part, will also provide a long term boost to the local and national economy and make a significant contribution to delivering sustainable economic growth in Scotland.

Smarter

Our leadership of the delivery of the new schools programme puts SFT in a frontline position in the delivery of new schools which in turn help inspire children and teaching staff and encourage them to achieve

more. New sustainable schools, with a stimulating and safe environment for teaching and learning, are part of providing a good start to life.

On projects where we have delivery responsibility we will actively pursue the creation of learning and skills development opportunities. Promotion of apprenticeships and other learning experiences will be included in procurement evaluation criteria to maximise the positive impact of projects in local communities.

Healthier

Giving people access to first class healthcare facilities is a principal driver of the SFT's *hub* community infrastructure partnership programme. The programme has NHS Scotland as a major partner and is designed to deliver new healthcare and community facilities in every region of the country.

Outwith *hub*, the NHS, as one of Scotland's largest public sector organisations will continue to develop its infrastructure and we are already working with them to achieve this. We will continue to develop our strong relationship in order to assist in improving the NHS estate.

Safer and stronger

The *hub* programme has a key role in fulfilling the objective of making Scotland's communities safer and stronger. Police and Fire Services, along with the NHS and local authorities, are vital partners in planning the provision of community facilities. The integration of public services in high quality accommodation will promote public access to the services provided by all partners.

Greener

The issue of sustainability will be considered in all programmes and projects that SFT is involved in. We are not only concerned with ensuring the financial sustainability of projects but also the environmental factors. From materials sourcing through to energy efficiency and good design, leading to low carbon footprints in new buildings, we will give high importance to making Scotland a greener place in which to live.

Working with local authorities we will help deliver new waste treatment facilities that are needed to divert municipal waste away from landfill, a major contributor to a zero waste Scotland.

Governance

SFT is held to account by its board. The board has six members, five of whom are non-executives. On an annual basis SFT will produce a business plan against which we will be held accountable.

Our relationship with the Scottish Government is established by a Management Statement and Financial Memorandum. We will commit to annual service agreements against which the Scottish Government agree to pay for SFT's services. In the early years of SFT development this revenue will be the main source of income.

SFT is set up as a trading body and as it develops it will have the opportunity to form joint ventures and make investments that will allow other sources of income to be developed.

Our external auditors are appointed by the board. We will publish an annual report and accounts, which will include a progress report against our objectives. We will seek external validation of a number of important performance measures to ensure transparency.

We will continue to seek feedback from stakeholders to assess our performance.

"By driving forward improvements in infrastructure investment we will help deliver better public services and quality of life for the people of Scotland."

our mission

Over the period of this plan our mission is to improve the efficiency and effectiveness of infrastructure investment in Scotland. We will do this by working collaboratively with public bodies and commercial enterprises, leading to better value for money and providing the opportunity to maximise the investment in the fabric of Scotland.

In order to do this SFT will act across all phases of the infrastructure investment cycle: needs identification, options investigation, investment appraisal, procurement, financing, design, construction, life cycle management / maintenance and disposal with a particular focus on planning, financing and procurement.

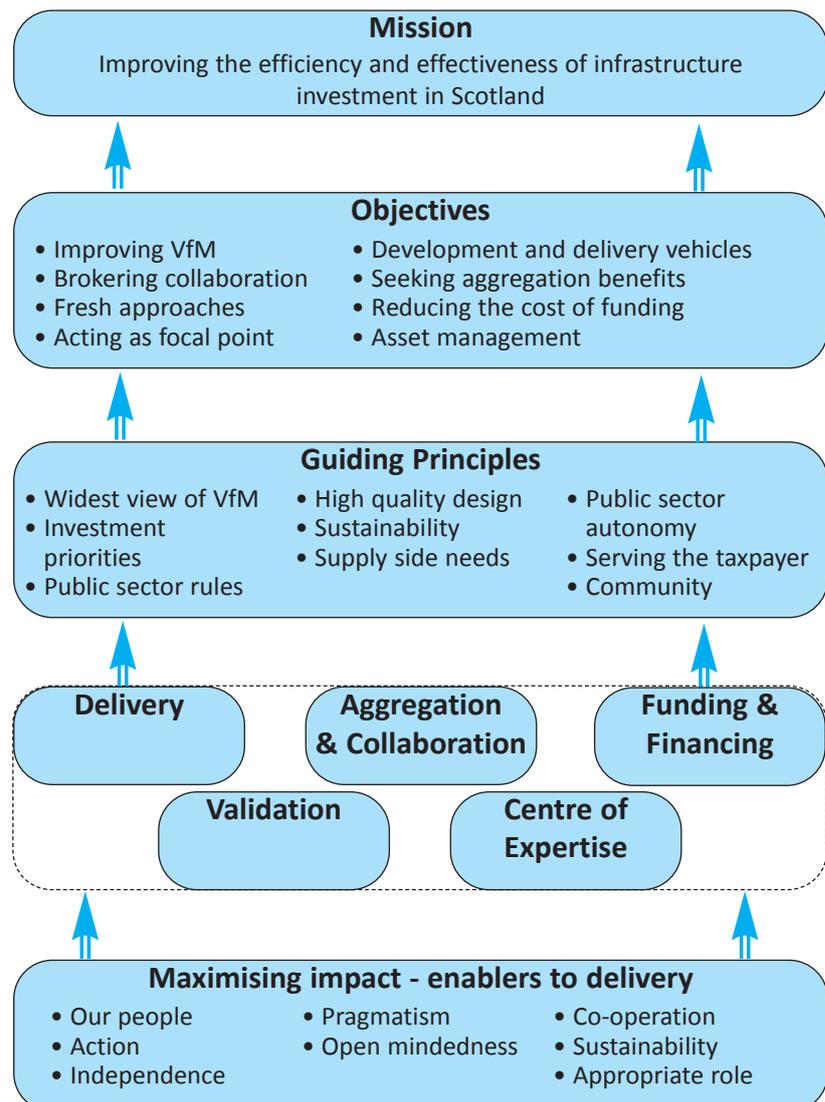
We are committed to maximising the impact of our work across the phases with the cycle of planning through to procurement and delivery of investment running typically for between two and six years.

Assessing our full impact will involve forecasting benefits, tracking and reporting progress over time and subsequently validating benefits.

We have put in place an initial measurement system that will allow an assessment of value for money improvements to be

made (see *measuring and reporting*, page 18).

We will continue to develop arrangements for identifying and measuring the impact of our work.



our objectives

SFT's key objectives across the infrastructure investment cycle are to:

- improve value for money in infrastructure investment;
- identify common ground and broker and improve collaboration between public bodies;
- innovate and bring fresh approaches and models for infrastructure investment;
- act as a focal point for public sector infrastructure investment in Scotland;
- act as a central development / delivery vehicle where this is appropriate;
- seek and promote opportunities for appropriate aggregation and common approaches to aspects of infrastructure investment; and
- identify and implement opportunities to reduce the cost of funding for infrastructure.

In striving to meet its objectives, SFT will be guided by the following principles:

- proper recognition of the financial and non-financial aspects of value for money;
- Scottish Government policy and priorities for infrastructure investment and related topics;
- the rules applying to government expenditure and their impact on budgets and affordability;
- the positive impact of high-quality design and space planning on people's lives;
- sustainability in general, and the need to reduce carbon footprint in particular;
- the needs of the supply-side in all aspects of infrastructure investment, from multinationals to SMEs;
- the individual autonomy of different public sector organisations;
- its non-profit distributing status and public-service ethos; and
- the needs and aspirations of communities on which infrastructure has a significant impact.

"We will focus on those areas where we can have the greatest impact; aggregation and collaboration, direct delivery, funding and financing, validation and being Scotland's centre of expertise for infrastructure investment."

core activities

The themes that will focus SFT's activities in order to achieve our objectives are:

- **Delivery**
- **Aggregation and Collaboration**
- **Funding and Financing**
- **Validation**
- **Centre of Expertise**

These are described in more detail in the following pages.

Acting individually or together they will drive improved value for money.



delivery

SFT has a focused delivery role. Taking action and implementing co-ordinated well planned delivery programmes is part of SFT's business. The greater the depth of involvement allows the most value to be added. Pragmatism and action are key attributes in supporting delivery.

In its first year SFT has been asked to manage the delivery of the *hub* and schools programmes. Both programmes will run throughout the period covered by this corporate plan. Taken together their value is projected to be in excess of £2.2billion.

Our delivery role is anticipated to grow as new programmes, where SFT can add value, are identified. SFT has outlined two broad ways in which it will be involved in project and programme delivery dependent on how it can best add value:

- As a participant - in some cases, overall value may be enhanced by SFT taking a structural role in projects or programmes, potentially as an asset owner, aggregation vehicle or financing conduit. This could involve establishing subsidiary companies, investment vehicles, or joint venture entities.
- As an agent - acting for public bodies with an infrastructure requirement as a procuring or potentially finance raising agent, promoting best practice and collaboration between bodies where it is pragmatic to do so.

By putting in place effective programme structures and efficient delivery mechanisms for the £2.2billion projected investment in schools and *hub*, SFT expects to target minimum benefits of 3% or £66million across the two programmes.

This level of saving could provide an additional three new secondary schools allowing 2,700 schoolchildren to benefit or could provide 27 new GP surgeries. Providing more for less is a key SFT driver.

Programme delivery vehicles using standardised procurement procedures to drive down transaction costs and to seek continuous improvement used elsewhere in the UK include Partnerships for Schools and Community Health Partnerships. SFT will learn from their experiences but develop and deploy programmes that are bespoke to Scotland.

During this period, SFT will:

Agree with the Scottish Government key programmes where SFT can provide a delivery capability using the professionalism and expertise of its staff to secure better value for the taxpayer.

Leading *hub* programme delivery office, including funding, governance, resourcing and delivery. SFT will work with public sector partners in the *hub* territories to launch procurements for delivery partners.

Manage the £1.25billion schools investment programme. SFT will work with local authorities to achieve efficiency and effectiveness in procurement and whole-life costs.

aggregation and collaboration

SFT will look for opportunities to broker improved co-operation and collaboration between public bodies that procure or have an interest in infrastructure investment.

Successive reports from a wide range of authors have highlighted enhanced collaboration in infrastructure planning, procurement, financing and management as an important area where value for money can be improved.

One of the most significant opportunities that exists is the one of collaboration across the (public) sector. There are many advantages. Some of the most important are as follows:

- *Better utilisation of scarce procurement resources and skills;*
- *Aggregation of spend to create greater purchasing power which will in return result in improved cost savings;*
- *A more efficient and less complex interface to suppliers utilising the efficiency of systems and other refinements of e-trading; and*
- *Spread of best practice including sharing of market intelligence.*

John McClelland 2006

SFT believes that efficiencies-of-scale benefits can come from appropriate aggregation of procurement, finance and life cycle management. However, such efficiencies need to be carefully balanced against the individual needs of different procuring authorities.

The challenges in joint working are considerable but pursuing the potential economic benefit

is more critical now than ever as the public sector renews its drive for efficiencies.

Sharing skills and experience is an important element of collaboration and SFT will actively seek opportunities to broker exchanges between bodies with a broad range of recent relevant experience.

It is particularly important that taking a central role on a significant infrastructure project is not a 'once in a career' experience for public body employees.

SFT will seek opportunities to retain and share skills across the public sector.

During this period, SFT will:

Explore with public bodies opportunities for collaboration across all stages of the infrastructure investment cycle within and across sectors of infrastructure, brokering partnerships where opportunities are identified.

Review the investment in waste treatment being pursued by local authorities and actively seek opportunities to broker collaboration between authorities.

Develop a schools investment programme, starting initially with a pilot where aggregated procurement and delivery benefits in the schools sector can be accrued.

Promote the use of the *hub* initiative, the new planning and procurement vehicle for community-based infrastructure, which has collaboration between different public bodies at its heart.

Look for opportunities to share skills and experience through facilitating secondment between public bodies and potentially taking secondments into SFT where skills are identified that could be more widely applied in a central role.

"On one hand the prospect of acting in a cohesive way offers a significant economic opportunity, on the other hand it is a huge challenge to act in a concerted manner in the area of procurement spending."
John McClelland, Review of Public Procurement in Scotland 2006

funding and financing

SFT's work in this area will be directed towards:

- making more efficient use of existing Scottish Government investment;
- leveraging in additional funds where possible (noting that any debt raised to fund public infrastructure will require repayment in the future); and
- effectively deploying any additional infrastructure funding made available by central and local public bodies.

There are opportunities to increase value for money through reducing the cost of finance for infrastructure projects, and in implementing innovative financing structures. At the time of writing this plan SFT is providing in-depth understanding of the two principal current issues in this area, namely the implementation of new accounting and budgeting rules (International Financial Reporting Standards (IFRS), and Eurostat (ESA95)) and the credit crunch. We will work to develop innovative solutions within the constraints imposed by them.

SFT will develop its own investment and funding vehicles to support programmes or individual projects where this provides a clear benefit for the public sector. We will work with budget holders to identify affordable solutions using all appropriate available sources of finance.

SFT will examine finance structures being developed

elsewhere. Across Europe innovative financing is helping to develop infrastructure in new and different ways. Existing bodies, such as the National Development and Finance Agency in Ireland and Partnerschaften Deutschland, have some comparable roles to SFT. For Scotland, SFT will take a leading role in developing future investment funding.

SFT will review funding and financing approaches that public bodies have developed or

have had brought to them. SFT will also act to explore, develop and promote approaches which improve value for money.

Funding and financing structures cannot be separated from delivery structure and risk / responsibility and reward allocation. SFT will consider all these elements in its centre of expertise, funding / financing and delivery priority areas.

During this period, SFT will:

Review existing funding and financing approaches, along with their associated delivery models ranging from 'treasury' capital funding through to revenue financed capital, such as NPD, and determine whether a new approach or approaches may deliver enhanced value for money for particular programmes in the current environment.

Work with Government to focus on cross-public sector asset management and realisation to determine the scope and potential value that could be gained from more co-operation in active estate management and asset optimisation / value realisation.

Identify infrastructure classes and particular assets that could be delivered in a value for money manner without a requirement for public sector capital funding, and ensure such structures are actively considered in options appraisals.

Provide advice and support to public bodies with particular novel and / or complex infrastructure financing requirements, for example in the housing, regeneration and renewable energy sectors.

Establish funding and investment vehicles in response to particular needs or to produce particular benefits.

validation

Validation, scrutiny, diligence, assurance, gateway, review are all different terms with the same purpose. They are aimed at ensuring that appropriate planning has been carried out, reviewing that risks are appropriately and actively managed, and thereby improving the probability of a successful outcome.

Scrutiny is applied already but there are significant challenges in how existing activities work. The timing, scope, depth and meaningfulness of scrutiny can be improved.

"....only nine [out of 20] current projects had used the process or any other form of independent testing, reducing the scope for positive assurance."

Audit Scotland

SFT can add value and confidence in outcomes through validation and third-party assurance on projects and programmes. Meaningful validation requires an active, independent and sceptical mindset. Part of this thrust will come from SFT acting as the provider of "funders" diligence, in effect replicating the risk management processes applied by funders in project finance.

"Lessons from PPP methodology are being transferred into conventional processes, for example in the identification and management of risks and in relation to the long-term provision for maintenance."

Building a Better Scotland

We will work with the Scottish Government to agree a list of major and strategic projects to be validated by SFT as part of SFT's annual business planning process.

We will also deploy the skills and experience available at SFT to enhance the governance structures on significant infrastructure investment projects, in some cases through taking a seat on project or programme boards.

The Scottish Government's Financial Partnerships Unit previously managed the key stage review process with its implementation largely being outsourced to consultants. SFT will take ownership of the key stage review process and bring its implementation in-house, retaining knowledge and expertise within the public sector.

"Ensure appropriate project management and governance arrangements are put in place for every project."

"Set a clear plan with regard to the need for independent gateway or similar reviews at key stages in projects "

Audit Scotland Review of major capital projects in Scotland

During this period, SFT will:

Agree, and update annually, a list of major / strategic projects on which SFT will carry out a validation role.

Act on behalf of Scottish Government to facilitate and review the outcome of key stage reviews of ongoing project procurements, making any necessary recommendations and observations to project owners.

Act on behalf of Scottish Government to review and give approval where appropriate, to standard form derogations for NPD projects.

Take an active role in the governance of a range of ongoing projects through project / programme Board membership but only where such membership will make a difference.

centre of expertise

SFT will develop its role as the centre of expertise in infrastructure investment in Scotland and will collaborate with others to develop new and better ways of doing things, and will not be bound by existing structures or methodologies.

Through developing and retaining knowledge not often easily accessible to the public sector SFT will provide an infrastructure investment centre of expertise that is available to all public sector bodies. SFT's team will have a wide expertise with specialist knowledge of areas such as waste and transport. That expertise, historically bought in by the public sector, will be deployed in a targeted and focused way to support the overall drive for value for money.

During this period, SFT will:

Continue our efforts to raise the delivery standards in organisations and individuals responsible for infrastructure planning and investment, seeking to ensure that they have the capacity, skills and experience to enable the efficient achievement of infrastructure investment throughout Scotland.

Provide specialised central support not easily accessible elsewhere.

Enhance the sustainability of public infrastructure in Scotland, working on programmes such as *hub* and schools.

Strategic review of the Centre of Expertise role to align with other public sector bodies.

Engage with public bodies with operational, or in-construction revenue financed projects to determine whether SFT could add value by providing a commercial support role in optimising the performance of operational projects.

"To be successful, public bodies must have the people and skills to manage the necessary changes, to act and think in new ways and at the same time introduce new systems and approaches."
*Audit Scotland,
Improving public sector purchasing,
July 2009*

"We want to work with all parts of the public sector and demonstrate the savings and benefits that can be achieved through more effective planning, collaboration and service delivery."

maximising impact

We are committed to maximising our impact through our people, our approach, seeking co-operation, the pursuit of sustainable solutions and by adopting the most appropriate role.

We will be at our best by recruiting, retaining and developing a high quality team. Both individually, and acting as a team, highly motivated infrastructure investment professionals with a passion for making a difference will develop SFT's operational capability and allow us to maximise our impact. SFT is uniquely placed to attract and retain a commercial taskforce acting to improve value for money.

SFT's approach will encompass: action; independence; pragmatism; and open mindedness:

Action - by focusing on areas in which SFT can take or broker real actions that will lead rapidly to new ways of working and value for money investment in infrastructure.

Independence - by operating at arms' length from Government and other stakeholders SFT will be able to pursue the actions that will deliver our overall objectives.

Pragmatism - SFT will put making progress and delivering value ahead of becoming a counsel of perfection.

Open Mindedness - SFT will seek to provide best value in all cases and not promote any single model or structure - new or historic.

Change and improvement cannot be achieved unilaterally and we will seek co-operation with public sector bodies involved in investment planning and delivery. However SFT will, particularly in the validation role, be prepared to be robust in order to provide sufficient challenge to the status quo and in turn to achieve full value. Continuing senior civil service and government support for our actions and recommendations is key.

Sustainability in the widest sense will be a key driver for SFT when developing infrastructure and delivery solutions. Economic, environmental and social sustainability will be addressed in the early stages of project development and will become an inherent part of

procurement and delivery in order: to facilitate sustainable economic growth locally and nationally; to secure the positive impact of high quality design; to minimise adverse environmental impact; and to promote the development of sustainable communities.

Our impact is also governed by the role we adopt. A delivery role provides the greatest impact but is also the most resource intensive. Centre of expertise is the least resource intensive but is also the most difficult to measure the impact. All roles are valuable and we see them as a spectrum of activity.

SFT is an evolving company. Now one year from creation our operational capacity is developing and being deployed on a wider front. SFT will need to remain flexible in order to be able to respond quickly to new initiatives.



"We will be a task force loaded with the experience and expertise not normally available within the public sector."

our resources

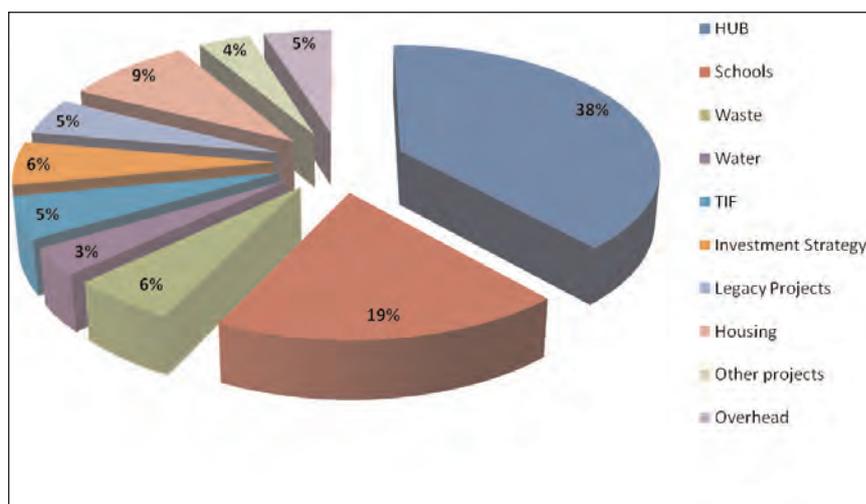
SFT is developing its operational capability by establishing a team of high quality motivated staff who have the drive and passion to seek improved value for money for taxpayers.

Since formation SFT has been largely resourced by secondees from a number of organisations. They have helped to get SFT off to a strong start and we appreciate their contribution but the migration to a permanent team is important to allow knowledge and expertise to be retained for the benefit of the taxpayer.

SFT will deliberately remain a small high calibre organisation. At times of peak demand, strategic secondments and bought-in professional support will continue to provide flexibility and responsiveness.

SFT is making progress. 2008/09 was an establishment period for SFT with a spend of £340,000. 2009/10 is a year in which workload and initiatives have increased dramatically and SFT will continue to evolve and develop. The budget for 2009/10 is £4.3m excluding VAT. This is spread across our activities and programmes as shown in the chart below.

As the chart shows, more than 50% of SFT's resources are deployed on direct delivery (schools and *hub*), setting up long term programmes that will deliver long term benefits.



SFT's budget for 2009/10 (set initially in the Scottish Government's 2008 business case) is £3.1million for our activities outwith *hub* and we are operating within that.

The *hub* programme budget was previously held by the Scottish Government and was passed to SFT along with the responsibility for resourcing the Programme Delivery Office in April 2009.

Allowing for the assimilation of *hub* into SFT, the total budget for 2009/10 is £4.3million. SFT's budget, through to 2013/14 is shown in the chart below.

SFT will meet its long term costs from three potential sources:

- Charging the Scottish Government a fee for the services it provides.
- Selective cost recovery from other public sector bodies where, for instance, SFT might second a member of staff to assist in a procurement.
- Through financial returns from investments when made.

In forward planning the key variables are the scale and size of future investment plans, the number of programmes where we are asked to take on more substantive roles and the extent to which new financing models are deployed.

Particular programmes, such as *hub*, when passed to SFT to programme manage may bring an additional temporary budget with them. Our annual business plans will include a forecast of costs and revenue and this will reflect any changes to the programmes under management.

	2008-09	2009/10	2010/11	2011/12	2012/13	2013/14
Budget	£0.3m*	£4.3m	£5.9m	£5.9m	£5.6m	£5.5m

All figures exclude VAT.

*Actual spend

"We will provide robust evidence to demonstrate our progress towards achieving our target of savings and benefits."

measuring and reporting

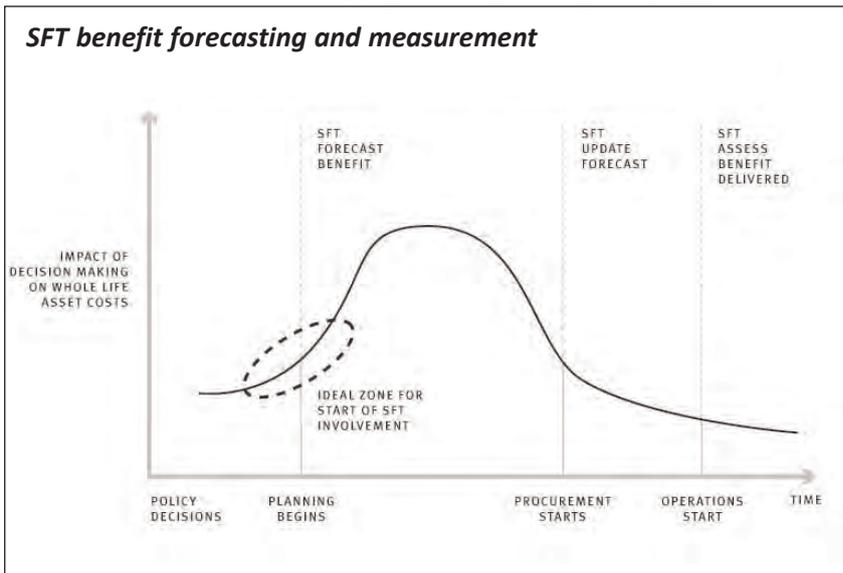
Today's work, tomorrow's benefit

A challenge in measuring benefits is that today's work, by the nature of investment planning, procurement and delivery, will yield benefits that can be estimated now but are only measurable over the coming years.

The chart shows a project life cycle and how the impact of procurement decision-making moves with time. During the procurement planning process SFT will forecast the benefits to be delivered, this forecast will be updated at the launch of procurement and will be validated as projects are delivered.

Examples of this time cycle include:

- *hub* - two years of intensive development work from 2009 to 2011 will establish a programme where procurement and capital cost benefits will be realised from 2010 to 2021 and whole life cost benefits for many years beyond that.
- Schools programme - two and a half years of intensive work up to 2012. Capital cost and procurement benefits will be realised between 2010 and 2018. Whole life cost benefits will be realised in that period and throughout the asset life.



In pursuing optimum value for money tangible measurement is, and will be, our significant quantitative assessment of SFT benefit. However we must ensure that in taking action to meet these targets, we also engage in tasks and activities that deliver qualitative benefits. Achieving high quality design and enduring sustainability will, for example, be key drivers alongside the delivery of financial benefits.

Quantitative Measuring

SFT is a taskforce with the pursuit of value for money at its core. SFT has been tasked with delivering £100-150million (based on 2009 spend levels) of benefits per annum and we must provide tangible evidence of progress towards that. One of the key measurements as SFT develops will be the performance multiplier shown below.

SFT will set a performance multiplier of a minimum x7 for this Corporate Plan period for the ratio of benefit to cost. Put simply, for every £1 spent on SFT over this period, our work will seek to bring about a £7 benefit.

Qualitative Measuring

The evidence base set out in the following pages will be translated into shorter term objectives set out in the annual business plans.

Reporting

Business plans will be produced on an annual basis to match government spending periods. Following the end of each financial year we will produce an annual report which will include the quantitative and qualitative measures and our progress towards achieving our targets. These will be public documents and available on our website www.scottishfuturestrust.org.uk

$$\text{Performance Multiplier} = \frac{\Sigma \text{Aggregate Forecast Savings \& Benefits}}{\Sigma \text{Aggregate SFT Costs}}$$

Over the project cycle the forecast savings will be validated against the actual savings delivered when that evidence is available and can be measured. We are liaising with Audit Scotland and cross referencing to work done by the Office of Government Commerce to ensure that our measurement system ties in with existing good practice. As savings and benefits are realised over the investment cycle these will be measured against the initial forecasts and used to update our measurement of performance.

measuring and reporting of core activities

<i>delivery</i>	
<p>During this period, SFT will: Agree with the Scottish Government key programmes where SFT can provide a delivery capability using the professionalism and expertise of its staff to secure better value for the taxpayer.</p>	<p>Our performance will be evidenced by: Initially starting with the <i>hub</i> and schools programmes, evaluating other opportunities where SFT's available resources can support significant investment programmes.</p>
<p>Leading <i>hub</i> programme delivery office, including funding, governance, resourcing and delivery. SFT will work with public sector partners in the <i>hub</i> territories to launch procurements for delivery partners.</p>	<p>Forming of five territory boards, all moving through procurement to set up <i>hub</i> partnerships.</p> <p>Established <i>hub</i> partnerships developing and delivering projects.</p>
<p>Manage the £1.25billion schools investment programme. SFT will work with local authorities to achieve efficiency and effectiveness in procurement and whole-life costs.</p>	<p>Establishing a procurement and contracting strategy for the schools programme.</p> <p>Working with local authorities in order to secure successful delivery against milestones.</p>
<i>aggregation and collaboration</i>	
<p>During this period, SFT will: Explore with public bodies opportunities for collaboration across all stages of the infrastructure investment cycle within and across sectors of infrastructure, brokering partnerships where opportunities are identified.</p>	<p>Our performance will be evidenced by: Identifying opportunities for new aggregation and collaboration.</p> <p>Assessing those opportunities and, working with the relevant public bodies, turning them into deliverers of improved value.</p> <p>Seeking opportunities in addition to <i>hub</i>, schools and waste.</p>
<p>Review the investment in waste treatment being pursued by local authorities and actively seek opportunities to broker collaboration between authorities.</p>	<p>SFT working with local authorities to collaboratively procure infrastructure for waste treatment.</p> <p>SFT will aim to expand the number of collaborating groups it is working with over the period of this plan.</p>
<p>Develop a schools investment programme, starting initially with a pilot where aggregated procurement and delivery benefits in the schools sector can be accrued.</p>	<p>Structuring and delivery of a collaborative approach for a schools investment programme focusing on where the greatest value can be added.</p>
<p>Promote the use of the <i>hub</i> initiative, the new planning and procurement vehicle for community-based infrastructure, which has collaboration between different public bodies at its heart.</p>	<p>Health Boards, Local Authorities and other public sector bodies using <i>hub</i> as a means to procure joint facilities.</p>
<p>Look for opportunities to share skills and experience through facilitating secondment between public bodies and potentially taking secondments into SFT where skills are identified that could be more widely applied in a central role.</p>	<p>Strategic secondments from and to SFT, sharing skills and providing flexibility in resourcing.</p>

funding and financing

During this period, SFT will:

Review existing funding and financing approaches, along with their associated delivery models ranging from 'treasury' capital funding through to revenue financed capital, such as NPD, and determine whether a new approach or approaches may deliver enhanced value for money for particular programmes in the current environment.

Our performance will be evidenced by:

Taking an ecumenical approach to all options seeking best value in the environment at the time.

Development and deployment of improved funding and financing models with a lower cost of capital than would have been the case otherwise.

Advise Scottish Government on PPP project re-financing.

Work with Government to focus on cross-public sector asset management and realisation to determine the scope and potential value that could be gained from more co-operation in active estate management and asset optimisation / value realisation.

Producing a plan of action to release value through improved asset management.

Identify infrastructure classes and particular assets that could be delivered in a value for money manner without a requirement for public sector capital funding, and ensure such structures are actively considered in options appraisals.

Evaluate options for new models of funding for infrastructure.

Managing and developing options to take advantage of any suitable beneficial opportunities.

Collaborating with other interested parties, to work-up, and assess options to increase the efficiency of funding for Scottish Water, whilst retaining public ownership, that could be considered by Scottish Ministers.

Provide advice and support to public bodies with particular novel and/or complex infrastructure financing requirements, for example in the housing, regeneration and renewable energy sectors.

Providing support to the development and implementation (where appropriate) of novel and / or complex financing structures.

Appraising and contributing to City of Edinburgh Council's innovative Tax Incremental Financing proposals, determine whether this could be a valuable model elsewhere in Scotland and recommend a course of action to Scottish Government.

Establish funding and investment vehicles in response to particular needs, or to produce particular benefits.

Review investment models and determine, for the specific model, if there is a requirement for SFT investment, i.e. funding. Where required, establish and resource the corporate entities to provide funding efficiency.

validation

During this period, SFT will:

Agree, and update annually, a list of major/strategic projects on which SFT will carry out a validation role.

Our performance will be evidenced by:

Identifying in the annual business plan projects where SFT will carry out validation.

Advising on the methodology for, and reviewing the outcome of value for money analyses at various stages of infrastructure investment projects where agreed with project owners or Scottish Government.

<i>validation (continued)</i>	
<p>During this period, SFT will: Act on behalf of Scottish Government to facilitate and review the outcome of key stage reviews of ongoing project procurements, making any necessary recommendations and observations to project owners.</p>	<p>Our performance will be evidenced by: Programme of key stage reviews being implemented. Improvement in the effectiveness of reviews with leading to action to improve the outcome of the project.</p>
Act on behalf of Scottish Government to review and give approval where appropriate, to standard form derogations for NPD projects.	Management of the derogations process.
Take an active role in the governance of a range of ongoing projects through project / programme Board membership but only where such membership will make a difference.	Representation on a number of appropriate project boards but only where such membership will make a difference.
<i>centre of expertise</i>	
<p>During this period, SFT will: Continue our efforts to raise the delivery standards in organisations and individuals responsible for infrastructure planning and investment, seeking to ensure that they have the capacity, skills and experience to enable the efficient achievement of infrastructure investment throughout Scotland.</p>	<p>Our performance will be evidenced by: Promoting consideration of asset life cycles and appropriate risk / reward structures in infrastructure procurements, engaging with organisations and individuals to promote these considerations, which SFT sees as key to delivering value for money, are being addressed. Pursuing new and different models of infrastructure investment that recognise public bodies' needs, accounting / budgeting arrangements, market conditions and fiscal constraints - not being bound by existing structures, and looking to apply models in different sectors where they could deliver enhanced value for money.</p>
Provide specialised central support not easily accessible elsewhere.	<p>Providing a taskforce of skilled and senior transactors deployed to support local initiatives.</p> <p>Providing specific assistance to waste projects by recruiting appropriate staff to support local authorities in their waste treatment procurements, particularly as these relate to making progress toward the 2013 and 2020 targets.</p> <p>Continuing to support operational revenue financed projects and those bodies procuring, or delivering projects using it.</p>
Enhance the sustainability of public infrastructure in Scotland, working on programmes such as <i>hub</i> and schools.	<p>Reduced carbon footprint of replacement or new assets from that in the existing estate.</p> <p>Embedding sustainability into review processes.</p> <p>Achievement of credible external sustainability criteria for projects delivered through SFT programmes.</p>
Strategic review of the Centre of Expertise role to align with other public sector bodies.	Engaging with Audit Scotland, the Council of Economic advisors and Scottish Procurement Directorate to further define and develop the Centre of Expertise role, in particular with reference to cross-sectoral appraisal / co-ordination.
Engage with public bodies with operational, or in-construction revenue financed projects to determine whether SFT could add value by providing a commercial support role in optimising the performance of operational projects.	<p>Carrying out this engagement, reviewing the options and concluding the best course of action.</p> <p>Building on the work of Partnership UK's operational taskforce in England and using lessons learned to benefit projects in Scotland.</p>



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