

**Scottish Futures Trust**  
**Statement of Benefits**  
**2010/11**

**June 2011**

**SCOTTISH  
FUTURES  
TRUST**

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## Scottish Futures Trust Statement of Benefits – 2010/11 Summary

SFT's progress during 2010/11 is clearly demonstrated by the £129m of independently verified benefits and savings to infrastructure in Scotland from SFT's work. The £129m is in addition to the £111m of net benefits and savings secured during 2009-10 to give total verified net benefits and savings of £240m which SFT has delivered for the taxpayer. A breakdown of the main types of savings and benefits from SFT's work in 2010/11, and examples of how it has delivered them, is overleaf.

SFT works in partnership with many public sector organisations and it recognises that collaborative working delivers the great majority of its benefits, resulting in a sharing of the attribution of benefits. The 2010/11 benefit attributable to SFT represents just over 40% of the £313m total shared benefit to infrastructure investment in Scotland delivered by SFT in combination with its partners.

SFT's progress was recognised by the Independent Budget Review in July 2010 with a call for SFT's role to be enhanced. Following this, in its 2011-12 Budget, the Scottish Government asked SFT to manage a £2.5bn programme of additional investment, using the Non-Profit Distributing financing method; to pilot a new property and estate management approach; and to develop improved ways of managing risk and contingency in projects. These, together with operational PPP management, are priority areas for 2011-12.

In times of capital scarcity, the £2.5bn revenue funding programme, representing one of the largest such programmes in Europe, will allow Scotland to secure vital improvements to essential public infrastructure which would have otherwise been deferred for several years. The socio-economic value of this acceleration to Scotland is estimated to be more than £500m calculated using a methodology devised for similar projects in Europe. While an important benefit of the programme SFT has not counted this wider value in its benefits quantification.

Alongside the savings and benefits quantified, there are substantial non-financial benefits of SFT's work. Financing infrastructure is important in supporting economic growth, and the additional investment will also protect around 7,000 jobs in the construction sector and deliver substantial local training opportunities. There will be environmental benefits directly from SFT's work on Zero Waste and the Renewables Infrastructure Plan and a contribution to carbon reduction targets from new energy-efficient schools and hospitals. Finally, working at a local level its projects support the drive for: joined-up public service delivery from shared facilities in the hub programme; quality and sustainable design; and a range of business opportunities for local Small and Medium Enterprises (SMEs).

Delivering value for money has never been more important than at present. Across the UK, capital budgets are being reduced. For Scotland, this means that finance for infrastructure projects will fall by more than 35% over the next few years. The capability developed by SFT, with commercial expertise sitting at the heart of public sector procurement, is a vital strength in facing that challenge, along with its other public sector partners.

| Value | Benefit Type   | Examples of SFT Activity   |
|-------|--|--|
| £42m  | Efficiency Gains (more for the same, or the same for less) by applying commercial skills as a centre of expertise. | Commercial review of historic budgets in order to identify headroom and improve budget planning, thus holding projects to account at lower budget levels.<br><br>Provision of a centre of expertise in waste treatment projects to help Local Authorities get better deals more quickly and save in landfill costs.                  |
| £38m  | Additional Investment over and above traditional capital budgets.  | Developing and implementing the innovative tax incremental financing initiative, increasing investment into regeneration and unlocking up to £1.5bn of private sector investment.<br><br>Developing and procuring the national housing trust, innovative financing providing affordable homes that wouldn't have happened otherwise. |
| £19m  | Efficiency Gains through periodic validation and review of projects in development and procurement.                | Providing periodic checks and challenge of major projects such as the Forth Replacement Crossing. Like a "health check", the review supports project teams in keeping projects on track and suggests remedies before problems take hold.   |
| £17m  | Efficiency Gains from programmes that SFT is responsible for delivering.   | Managing the hub programme, for joined up delivery of community facilities, delivering reduced procurement costs and continuous improvements in project costs.   |
| £15m  | Efficiency Gains from the innovation that we bring to the funding and financing of projects.                       | Simplifying standard contracts and bringing commercial clarity that will reduce the time taken to deliver projects, and reducing the cost of financing to bring better value for money.  |
| £2m   | Avoided Cost of consultants historically employed at high cost, and where knowledge is not retained.               | Drafting the contracts to be used across the investment programme, saving the cost of external consultants and retaining knowledge in house to benefit every project where the contracts are used.   |
| £133m | Total Benefit  |  |
| £4m   | Cost of operations   |  |
| £129m | Net Benefit  |  |

The statement of benefits has been externally validated by Grant Thornton LLP, a leading financial and business advisor with relevant experience in infrastructure investment, and by the London School of Economics and Political Science.

**Scottish Futures Trust  
2009/10 Statement of Benefits**

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Supporting material and calculations are available in the documents “Scottish Futures Trust, Statement of Benefits 2010-11 - Supporting Material” and Statement of Benefits 2010-11 - Calculations, both of which are on SFTs website at [www.scottishfuturestrust.org.uk](http://www.scottishfuturestrust.org.uk).

## Glossary

|                                 |   |
|---------------------------------|---|
| <b>£/t</b>                      | Cost per tonne.   |
| <b>BREEAM</b>                   | 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.  |
| <b>Capex</b>                    | Capital (construction) cost   |
| <b>CCS</b>                      | 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.   |
| <b>CEC</b>                      | City of Edinburgh Council   |
| <b>CMAL</b>                     | 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.  |
| <b>COSLA</b>                    | Convention of Scottish Local Authorities  |
| <b>D&amp;B</b>                  | Design and Build – form of infrastructure procurement paid for from capital budgets as the asset is built   |
| <b>DBFM</b>                     | Design, Build, Finance and Maintain – form of infrastructure procurement including asset maintenance and financing, with payment over time as the asset is used.  |
| <b>DEFRA</b>                    | Department for Environment Food and Rural Affairs (Whitehall), with responsibility in England and Wales for waste.  |
| <b>Designed for Life, Wales</b> | A 10 year strategy for health and social care in Wales established by NHS Wales   |
| <b>DoE</b>                      | Department of Environment (now part of DEFRA, Department for Environment, Food and Rural Affairs)   |
| <b>EPC</b>                      | 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. |
| <b>EPC</b>                      | Engineer, Procure and Construct – An entity who take responsibility for the design, procurement and construction of a project.  |
| <b>ESA95</b>                    | European Union publication detailing the public versus private classification   |

|                |   |
|----------------|---|
|                | of assets and expenditure for national accounting purposes  |
| <b>FBC</b>     | Full Business Case – produced for major infrastructure investments prior to contract award  |
| <b>FC</b>      | Financial Close – the contract award of a complex project   |
| <b>FM</b>      | Facilities Management   |
| <b>FRC</b>     | Forth Replacement Crossing project  |
| <b>GCC</b>     | Glasgow City Council  |
| <b>HMT</b>     | Her Majesty’s Treasury  |
| <b>hub PDO</b> | hub Programme Delivery Office – Central support function provided by SFT to the hub programme in Scotland   |
| <b>HubCo</b>   | 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  |
| <b>IRR</b>     | Internal Rate of Return – a way of measuring profit or value  |
| <b>ITPD</b>    | Invitation To Participate in Dialogue – a form of invitation to tender for complex projects   |
| <b>IUK</b>     | Infrastructure UK – UK national level infrastructure body following discontinuation of Partnerships UK  |
| <b>KSR</b>     | 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 |
| <b>LAs</b>     | Local Authorities   |
| <b>LP</b>      | English procurement organisation owned jointly by Government and Local Authorities  |
| <b>MLC</b>     | Midlothian Council  |
| <b>MSFM</b>    | Management Statement and Financial Memorandum – the SFT’s governance document with Scottish Government as its Shareholder   |
| <b>NAO</b>     | National Audit Office   |
| <b>NHT</b>     | National Housing Trust – an innovative procurement of affordable housing using Local Authority borrowing and private developer equity run by the SFT  |
| <b>NI</b>      | Northern Ireland  |
| <b>NLC</b>     | North Lanarkshire Council   |
| <b>NPD</b>     | 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  |
| <b>N-RIP</b>   | 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.  |
| <b>OBC</b>         | Outline Business Case- produced for major infrastructure investments prior to launching a procurement  |
| <b>OECD</b>        | 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.             |
| <b>OGC</b>         | Office of Government Commerce - an independent office of HM Treasury, established to help Government deliver best value from its spending.   |
| <b>OGC Gateway</b> | The Office of Government Commerce Gateway Process examines programmes and projects at key decision points in their lifecycle.  |
| <b>OJEU</b>        | Official Journal of the European Union – the document in which public procurements are first advertised to the market  |
| <b>OMR</b>         | Operations, Maintenance and Replacement cost   |
| <b>PB</b>          | Preferred Bidder – the successful party in a procurement, subject to final negotiation / clarification   |
| <b>PFI</b>         | 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   |
| <b>ph</b>          | Per hour   |
| <b>PPP</b>         | 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   |
| <b>PQQ</b>         | Pre-Qualification Questionnaire – a procurement process to select capable bidders from responses to an advertisement   |
| <b>Pre-IFT</b>     | Pre-Invitation to Final Tender – referring to the stage in the procurement process that a Key Stage Review (KSR) takes place   |
| <b>Pre-ISOS</b>    | Pre-Invitation to Submit Outline Solutions – referring to the stage in the procurement process that a Key Stage Review (KSR) takes place   |
| <b>Pre-ITN</b>     | Pre-Invitation To Negotiate – referring to the stage in the procurement process that a Key Stage Review (KSR) takes place  |
| <b>Pre-PB</b>      | Pre-Preferred Bidder – referring to the stage in the procurement process that a Key Stage Review (KSR) takes place.  |
| <b>Procure 21</b>  | 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. |
| <b>PSDP</b>        | Private Sector Development Partner   |

|                 |   |
|-----------------|---|
| <b>PUK</b>      | Partnerships UK – UK national level infrastructure body (now absorbed into IUK)   |
| <b>RHSC/DCN</b> | Royal Hospital for Sick Children and Clinical Neurosciences Project   |
| <b>RSG</b>      | Revenue Support Grant   |
| <b>RSL</b>      | Registered Social Landlord  |
| <b>SEPA</b>     | Scottish Environment Protection Agency  |
| <b>SFT</b>      | Scottish Futures Trust  |
| <b>SG</b>       | Scottish Government   |
| <b>SG FPU</b>   | The former Scottish Government Financial Partnerships Unit  |
| <b>SIB</b>      | Strategic Investment Board – infrastructure body in Northern Ireland  |
| <b>SME</b>      | Small and Medium Enterprises  |
| <b>SoPC4</b>    | Standardisation of PPP Contracts Version 4  |
| <b>SPS</b>      | Scottish Prison Service   |
| <b>TIF</b>      | 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 |
| <b>UC</b>       | Unitary Charge – the annual charge made by the private sector partner over a period for the use of assets procured under PPP arrangements   |
| <b>URC</b>      | Urban Regeneration Company  |
| <b>VfM</b>      | Value for Money   |
| <b>WLC</b>      | West Lothian Council  |
| <b>WRAP</b>     | 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  |
| <b>ZWS</b>      | Zero Waste Scotland   |

## 1. Introduction

SFT is an independent company, established by but operating at arms' length from the Scottish Government with a responsibility to deliver value for money across all public infrastructure investment in Scotland.

SFT's aim and primary target, as set out in the company's Management Statement and Financial Memorandum (MSFM), are:

***Aim:** "To improve the efficiency and effectiveness of infrastructure investment in Scotland 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 and hence contribute to the Scottish Government's single overarching purpose to increase sustainable economic growth"*

***Primary Target:** "The primary financial target of the SFT once fully operational is to release between £100m and to £150 million each year for increased investment in Scotland's infrastructure"*

Delivering value for money has never been more important than at present. Across the UK, capital budgets are being reduced. For Scotland, this means that traditional finance for infrastructure projects will fall by more than 35% over the next few years. The capability developed by SFT, with commercial expertise sitting at the heart of public sector procurement, is a vital strength in facing that challenge.

SFT's Corporate Plan 2009-14, written as the company was establishing its team, set out the methodology for calculating the benefits secured by SFT's work and committed SFT to delivering an initial minimum of £7 of benefits for every £1 spent on the organisation. This initial minimum target has been exceeded in each of the first two years, 2009/10 and 2010/11, covered in the five-year plan.

This paper has been prepared by SFT as part of its 2010/11 year end process to demonstrate the benefits delivered against our target for that year. It sets out:

- Section 2 – the nature of the activities that SFT undertakes and how they drive value for money and different types of benefit;
- Section 3 – the methodology originally developed in 2009/10 and how that has continued to be used to calculate 2010/11 benefits;
- Section 4 – the quantitative benefits outcome for 2010/11 including breakdowns by benefit type and sensitivity analysis;
- Section 5 – a description of the qualitative benefits, such as supporting economic growth, delivered by SFT; and

Section 6 – a description of the validation work undertaken by Grant Thornton and LSE and their primary conclusions.

SFT believes in openness and this document has been prepared, along with the information on our website, to give full transparency of our assessment of the benefit that SFT, in collaboration with others, has delivered to infrastructure investment in Scotland.

## 2. Value for Money Drivers and Benefit Types

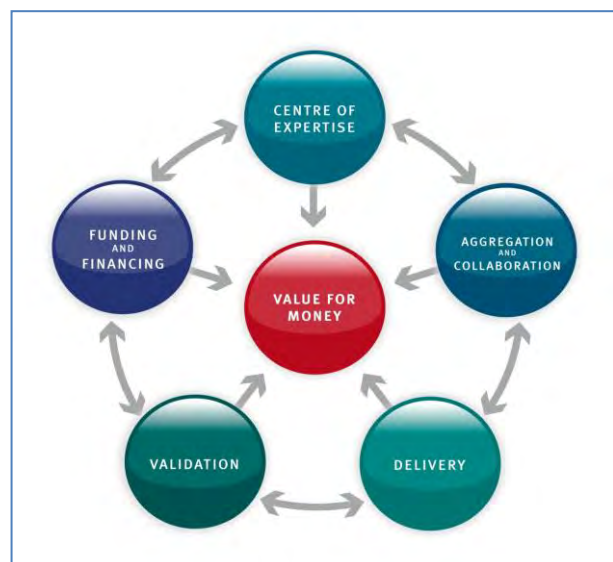
### 2.1. Value for Money Drivers

SFT acts across all phases of the infrastructure investment cycle from needs identification and options investigation, through investment appraisal, procurement, financing, and design, and on to construction, life cycle management / maintenance and disposal. It has a particular focus on infrastructure planning, financing and procurement.

The key objectives it pursues in order to improve value for money in infrastructure investment include:

1. identifying common ground and brokering and improving collaboration between public bodies;
2. being innovative and bringing fresh approaches and models for infrastructure investment;
3. acting as a focal point for public sector infrastructure investment in Scotland;
4. acting as a central development / delivery body where this is appropriate;
5. seeking and promoting opportunities for appropriate aggregation or common approaches to aspects of infrastructure investment; and
6. identifying and implementing opportunities to reduce the cost of funding for infrastructure.

In line with these key objectives, SFT has identified five key themes for its activities set out in the figure to the right. SFT's business plan for 2010/11 described the series of activities it proposed to undertake under each of these headings.



### 2.2. Benefit Types

The activities undertaken delivered both:

- quantifiable benefits – those to which a monetary value can be reasonably attached, sometimes described as financial benefits; and
- qualitative benefits – those which represent a clear and tangible benefit to a stakeholder or society as a whole, but cannot easily have a monetary value attached sometimes described as non-financial benefits.

Many of SFT's activities deliver both a quantitative and qualitative benefit. For example, it is possible for an activity to deliver a quantifiable efficiency gain in its own right, but also to contribute in an unquantifiable way to knowledge sharing across the public sector which

would allow a partner body with whom SFT has worked to deliver more efficiently in its own right on future projects.

### 2.2.1. Quantitative Benefits

As per SFT's 2009/10 benefit statement, the quantitative benefits identified focus on SFT's main aim to improve the efficiency and effectiveness of infrastructure investment in Scotland by working collaboratively with public bodies and commercial enterprises.

The main classes of benefit identified in 2010/11 remain unchanged from 2009/10. These include:

1. **Avoided Costs** – generally where SFT resources undertake activities that would previously have been undertaken by significantly more expensive external consultants. The benefit is generally achieved as an in-year saving and will be at a relatively low overall value given the displacement of consultancy charged at 2½ - 3½ times salary costs. Compared to efficiency gains and additional investment, this benefit is relatively small, however it brings the added benefits of retaining knowledge and experience in the public sector, and of the activity being undertaken by individuals with sufficient specific experience and influence to drive through the actions identified;

*Eg: In 2010/11 SFT investigated and developed alternative approaches to the application and management of contingency pricing in relation to infrastructure projects. This included extensive technical, financial and commercial work to assess the potential approaches to address this issues that could provide the basis for implementation across the capital investment programme in Scotland.*

2. **Efficiency Gains** – where through the intervention of SFT there is a saving made in relation to infrastructure investment (whether getting more at the same cost, or the same for lower cost).

*Eg: In 2010/11 SFT adopted a cost challenge role across the Scottish Government's revenue financed infrastructure 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.*

*In addition, SFT undertook a pilot study in 2010/11 to assess ways of improving property and estate asset management. The pilot study focused on the south east hub territory and identified the size of the opportunity to be upwards of £130m over a five year period.*

3. **Additional Investment** – where through a structure or technique developed or promoted by SFT, additional investment in infrastructure, over and above that limited by capital budget allocations is made possible. This benefit recognises the economic impact of infrastructure investment, and the benefit of increasing the level of investment possible within budget allocations by opening up additional funding sources, as discussed in the recent Scottish Independent Budget Review.

*Eg: In 2010/11 SFT, working with Scottish Government and local authority partners continued to take forward the National Housing Trust initiative. Based on the bid profiles received from private sector developers, SFT is able to identify an additional £102m of investment which, but for the introduction of the National Housing Trust initiative would not have happened. A proportion of this additionality is allocated as a benefit to SFT.*

The first two of the above benefits represent „savings“ to the public purse, avoided cost representing in-year savings and efficiency gains generally representing opportunities created to deliver savings in the future. The third class of benefit is not a „saving“ but represents additionality of investment that has been enabled over and above existing budgets.

### **2.2.2. Qualitative Benefits**

SFT’s 2009/10 benefit statement largely focused on the quantifiable financial benefits associated with SFT’s activities. Building on recommendations made by the London School of Economics in their validation of SFT’s 2009/10 benefit statement, SFT have also captured this year some of the qualitative benefits the arise from its actions. We have identified and reported on qualitative benefits in five limbs of jobs, training, environment, knowledge and community under the overarching benefit of increasing sustainable economic growth, which links to the Scottish Government’s stated purpose.

Further details of SFT’s qualitative benefit statement is given in Section 5.



### 3. Benefit Methodology

The core methodology adopted by SFT to determine its quantitative benefits for 2010/11 remains unchanged from last year. The principles behind the methodology were set out in SFT's 2009/10 benefit statement and these are restated in Annex 1 for ease of reference.

In SFT's 2009-2014 Corporate Plan and 2009/10 benefits statement there was a commitment to revisit projects and programmes incorporated in past benefit statements and analyse the extent to which previous benefits need to be re-evaluated to reflect delivery in practice. SFT has therefore determined the aggregate benefit position since April 2009 and netted off the aggregate benefit reported for the previous year. In doing so SFT has revisited each previously reported benefit in terms of the assumptions and dependencies, confidence level, the percentage attributable to SFT and the year(s) in which the benefit is forecast to be delivered; revising each benefit up or down as appropriate.

*Eg: Examples of last year's benefits which have increased in value include the benefits associated with realising additional investment from both the TIF and NHT initiatives. The benefit of a further year of developing and implement these new financing structures have allowed SFT to increase the confidence factors allocated to both initiatives. In 2009/10, a confidence factor of 55% was attached to both initiatives to reflect the fact that both were in the early stages of development. In 2010/11 SFT is now able to increase the confidence factors to 75% and 90% for TIF and NHT respectively.*

*However, given the breadth and scope of SFT's work, it is not surprising that a small number of areas have not made the positive progress envisaged at the 2009/10 year end. Therefore as well as revising benefits upwards reflecting the progress made, SFT has also revised some benefits downwards as well. By way of example, in 2009/10 we attributed a benefit to the Borders Rail Project resulting from the possibility of securing lower financing costs if Transport Scotland were able to offer a financial guarantee. In 2009/10 SFT estimated the value of this benefit to be in the order of £255K. In 2010/11, Transport Scotland decided not to pursue the inclusion of a guarantee into the Borders Rail Project, given that the European Investment Bank have confirmed that they are likely to provide up to £100m of senior debt funding for the project. This will in itself provide a reduction in the cost of funding and therefore reduce the value of any guarantee. Consequently, the previously assumed value of £255K has been reduced to zero for determining the aggregate benefit since April 2009. This is one example of a change to an individual benefit to establish an updated aggregate benefit position.*

It can be seen in Annex 5 that 51 of the 53 listed benefits show positive results and two, including the Borders Rail example above, show negative results.

One important additional scenario has been included this year as part of the sensitivity analysis set out in section 4.4. This fourth scenario identifies the individual benefits in the



“Most Likely” Scenario that have a high degree of certainty of extending beyond the 10-year cut-off period. These are benefits where the confidence factor is “A – Certain” (i.e. the benefit has already been delivered) or benefits where the value will be locked into a future contract which extends beyond 10 years.

*Eg: The work done by SFT with the Scottish Government in relation to both Orkney Islands and the Western Isle Schools projects has delivered a clearly defined benefit, which will last through the full duration of both these projects.*

*Another example relates to the local authority residual waste treatment projects, which are being supported by SFT. Whilst these projects have a confidence factor of less than 100%, to reflect the fact that they are still in procurement, the benefits will be captured in a long-term service contract, which will extend well beyond the 10-year cut-off point.*

This fourth scenario suggests a significantly greater quantitative benefit associated with SFT’s activities and further highlights the prudent approach taken by SFT in quantifying its benefits each year.

## 4. Quantitative Benefit Results

### 4.1. Summary

SFT has delivered £129m of net future benefit to infrastructure investment in Scotland through its activities the financial year 2010/11. This is a 16% increase in the £111m reported by SFT for 2009/10 and represents a 35:1 benefit to cost ratio for SFT to date.

The net benefit is calculated as a most likely estimate of £247m of cumulative benefit delivered for the years 2009/10 and 2010/11 less the £114m gross benefit reported for 2009/10. This makes a gross 2010/11 benefit of £133m. Deducting operating costs of £4m gives the £129m net benefit reported. This cumulative approach reflects the commitment to re-evaluate prior years" and adjust where necessary to reflect benefits delivered.

As per SFT"s Statement of Benefits for 2009/10, this benefit is within the range of £100-£150m per annum of benefits anticipated from the organisation in full operation and significantly exceeds the commitment in the Company"s 2009-14 Corporate Plan to deliver an initial £7 of benefits for every £1 spent on the organisation.

SFT works in partnership with many public sector organisations and as such, we have recognised that collaborative working has delivered a significant element of our benefits. The 2010/11 benefit attributable to SFT represents around 43% of the £313m total estimated benefit to infrastructure investment in Scotland.

Section 3 and Annex 1 set out the methodology that has been adopted to determine this quantitative benefit.

Back up information and further detail on the 54 individual benefits identified and reported on are available from the following document: "Statement of Benefits 10/11 - Supporting Material". Each of these individual benefits feed into a spreadsheet ("Statement of Benefits 10/11 – Calculations"), which has been used to determine the overall quantitative benefit position.

Copies of this supporting material document as well as the calculation spreadsheet are available from the following web link.

[www.scottishfuturestrust.org.uk](http://www.scottishfuturestrust.org.uk)

### 4.2. Split by Benefit Type

In summary, the benefits fall into the categories outlined in the table below and as further described in sections 4.2.1 to 4.2.6 that follow.

| Benefit Value | Benefit Type   | Projects  |
|---------------|--|---|
| £2m           | Avoided Costs  | Validation review of several projects in procurement.<br>Centre of expertise role in waste procurement.<br>Development work in TIF, NHT, Asset Management and Contingency Management.   |
| £15m          | Efficiency Gain:<br>Funding and Finance                                | Scrutiny and review work on the Western Isles and Orkney Schools Projects<br>Support to the Borders Rail Project.<br>Programme Support and Standardisation for the NPD programme as well as on-going support to individual projects within the programme.   |
| £19m          | Efficiency Gain:<br>Validation   | Forth Replacement Crossing project.<br>Waste projects in procurement.<br>Vessel Investment Programme future asset management plan.<br>The Borders Rail Project.<br>NPD projects in procurement.   |
| £17m          | Efficiency Gain:<br>Delivery (including Aggregation and Collaboration) | hub programme with central SFT programme management.<br>Schools programme with central SFT programme management.  |
| £42m          | Efficiency Gain:<br>Centre of Expertise                                | Budget Recasting - the review of historic budgets in order to identify headroom and improve budget planning.<br>Asset Management - creating an environment and support function to reduce the cost of operating and maintaining the public sector property estate.<br>Operational PPP Projects knowledge sharing and contract improvement.<br>Waste projects central expertise. |
| £38m          | Additional Investment  | TIF – development of delivery model and leading on its implementation.<br>NHT - development of delivery model and leading on its implementation.  |

#### **4.2.1. Avoided Costs**

Avoided cost savings have been generated in two ways. The first, where SFT has undertaken Key Stage Reviews (KSR) on behalf of public agencies, avoids the need to incur external agency costs to complete these reviews. Secondly, as the public sector has access to SFT's in-house expertise, reliance on external advisors has been reduced especially in the development stages of new ways of working, thus further avoiding costs.

#### **4.2.2. Efficiency Gain: Funding and Finance**

In addition to the on-going commercial support to the Borders Rail Project, SFT has undertaken extensive work during 2010/11 to develop the essential building blocks for the NPD programme to help secure more efficient procurements and value for money in the delivery of future projects. This work has included the production of a standard form contract for Scotland's NPD programme to save unnecessary duplication of effort on both the public and private sector side. This standard form contract has also reviewed the appropriateness of the previously accepted risk allocation on such long term service contracts and established a modified risk allocation to improve value for money and to provide greater flexibility. In addition, SFT has been working with local project teams to support the development of individual business cases and to establish a strong platform for future procurement of these complex projects.

#### **4.2.3. Efficiency Gain: Validation**

Following on from 2009/10 SFT has continued its role of undertaking key stage reviews of major projects. A further review was undertaken on the Forth Replacement Crossing. Reviews were also undertaken on waste projects that are currently in procurement. SFT will undertake reviews on the future pipeline of projects in the hub programme. In addition to these milestone reviews, SFT undertook a validation role on CMAL's future investment plan through its role on the investment project Steering Group.

#### **4.2.4. Efficiency Gain: Delivery (including Aggregation and Collaboration)**

SFT has an on-going involvement in the delivery of the hub programme, schools investment programme, as well as the local authority residual and food waste treatment programmes. Benefits are being delivered in a variety of ways from initial needs identification through to procurement support and ongoing continuous improvement.

The private sector development partners for the south east and north hub territories have now been secured. Work is on-going in procuring development partners for the other three hub territories. Work has now commenced on the delivery of the initial projects in pipeline for both the south east and north hub territories.

On the schools investment programme, tenders have been received for the joint Midlothian and East Renfrewshire pilot project. Other programme management and development work on the Scottish Government's Schools for the Future Programme is on-going. SFT's programme management role and strive for continuous improvement will help deliver better value for money in this £1.25bn investment programme.

#### **4.2.5. Efficiency Gain: Centre of Expertise**

During 2010/11, SFT has consolidated its positions as a recognised centre of expertise in Scotland for the development and delivery of complex infrastructure projects. SFT's role as

a centre of expertise has helped increase the capability and the capacity of the public sector to consider new innovative approaches to project delivery. It has also increased the ability of the public sector to effectively structure projects, bring them to the market and manage procurements in a manner that drives competition by making Scotland an attractive place for contractors and service providers to invest.

In 2010/11, SFT's largest benefit related to the efficiency gain associated with budget recasting. The basis for this benefit related to the review of inflation assumptions in historic budgets in order to identify headroom in those budgets arising from 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 departments' portfolio of projects.

In relation to budget recasting, 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.

In addition, through SFT's centre of expertise function, efficiency gains have also been developed with our local authority partners. In the waste sector, SFT has played a key role in the development of the food waste treatment support programme for local authorities. Working closely with Zero Waste Scotland, SFT has now created a platform whereby local authorities can explore the potential benefits of collaboration to procure joint food waste treatment facilities. Work is well advanced in the Edinburgh and Midlothian joint food waste treatment project, which is being supported by SFT. In relation to residual waste, SFT has provided extensive support to the Clyde Valley Strategic Waste Initiative. Following on from the Arbuthnot Review into shared services within the Clyde Valley, SFT has supported the Clyde Valley Waste team in identifying a possible £21m per annum efficiency saving through collaboration in the provision of future waste treatment and collection services.

Other examples of benefits that played a part in contributing to the quantification of the overall benefit associated with efficiency gain included SFT's development work to establish a new approach to property and estate management within the public sector, as well as SFT's support to operational PPP projects.

#### **4.2.6. Additional Investment**

Building on the work started in 2009/10, and working alongside Scottish Government and local authorities, SFT has continued to develop and implement activities on the TIF and the NHT initiatives, without which significant additional investment in public infrastructure would not have been possible within traditional capital budgets. This was further enhanced by the NPD projects announced in the last budget. Delivering additional investment has never been more important than at present. Across the UK, capital budgets are being reduced. For Scotland, this means that traditional finance for infrastructure projects will fall by more than 35% over the next few years. The capability developed by SFT, to leverage in additional investment, is a vital strength in facing that challenge.

#### 4.3. Top Ten benefits

The top-ten benefits identified by benefit type and value are outlined in the table below:

| Benefit Title   | Benefit Type                         | Value |
|---|--------------------------------------|-------|
| Budget Recast - Initial Benefit Identification                | Efficiency Gain: Centre of Expertise | £30m  |
| TIF - Development of Model                                    | Additional Investment                | £22m  |
| NHT - Development of Model                                    | Additional Investment                | £16m  |
| Western Isles and Orkney Schools Projects - Finance Structure | Efficiency Gain: Funding and Finance | £12m  |
| Validation – Vessel Investment Programme                      | Efficiency Gain: Validation          | £11m  |
| Asset Management  | Efficiency Gain: Centre of Expertise | £7m   |
| Validation - Non-Standard Civils Projects (FRC)               | Efficiency Gain: Validation          | £7m   |
| Schools Programme - Continuous Improvement Savings            | Efficiency Gain: Delivery            | £4m   |
| Hub Programme - Capital Costs Continuous Improvement          | Efficiency Gain: Delivery            | £3m   |
| Hub Programme - Reduced Procurement Time                      | Efficiency Gain: Delivery            | £3m   |

Compared to SFT’s 2009/10 benefit statement, where the top ten benefits accounted for 97% of the reported benefit, where as this year the top ten accounts for 86% of the reported benefit. This reflects SFT’s increased role on a wider portfolio of projects and initiatives over the last 12 months.

A full list of the individual benefits reported for 2010/11 is given in Annex 5.

#### 4.4. Sensitivity Analysis

The measurement methodology recognises that the majority of SFT’s activities drive benefits in the future. It is acknowledged that even given the confidence factors and discounting applied, the certainty of benefits delivered several years into the future is lower. It is therefore common practice in economic forecasting to ignore effects more than a set period into the future for sensitivity analysis. It is also possible to undertake sensitivity analysis on the

confidence factors applied. The sensitivity analysis fully described in Annex 1 shows the following results.

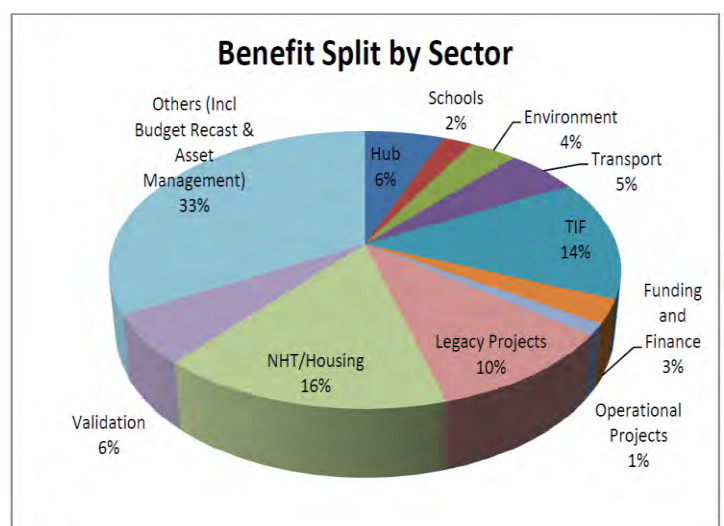
| Sensitivity                      | Net Benefit  |
|----------------------------------|--------------|
| 1. Upper Benefit Range           | £200m        |
| <b>2. Most Likely Benefit</b>    | <b>£129m</b> |
| 3. Lower Benefit Range           | £97m         |
| 4. Most Likely Benefit - Variant | £169m        |

The reason for introducing scenario 4 is that the current most likely base case (2) cuts off benefits at year 10 because of increasing uncertainty of events that far into the future. However, in some cases there is no variable that far in the future, but there is certainty of a continuation of a stream of benefit based on earlier certain actions. Extending the calculation to include this stream may give a fairer reflection of the overall benefit delivered.

In order to maintain comparability with 2009/10, the most likely value of £129m net benefit is the figure used throughout this report.

#### 4.5. Resource Input and Benefit Realisation

SFT's out-turn cost for 2010/11 was approximately £4m. In SFT's 2010/11 business plan, it allocated its budget across the following 11 sectors; hub, schools, environment, transport, TIF, funding and finance, operational projects, legacy projects, housing (including NHT), best practice procurement, and contingency. During the financial year 2010/11, SFT further developed its performance monitoring to include validation as separate activity and captured the cost of new activities such as budget recasting and asset management under a general heading – others. SFT's benefits for the year 2010/11, split by sector, are illustrated in the figure above.



#### 4.6. Stakeholder Engagement

Following a recommendation made by SFT's validators in 2009/10, SFT has engaged on a wide basis with the other stakeholders to seek their support in the evaluation of the benefits that SFT has identified working in conjunction with them.



Amongst others, the following partners have been consulted in the development of this document, many of whom met with representatives from the London School of Economics as part of their validation process.

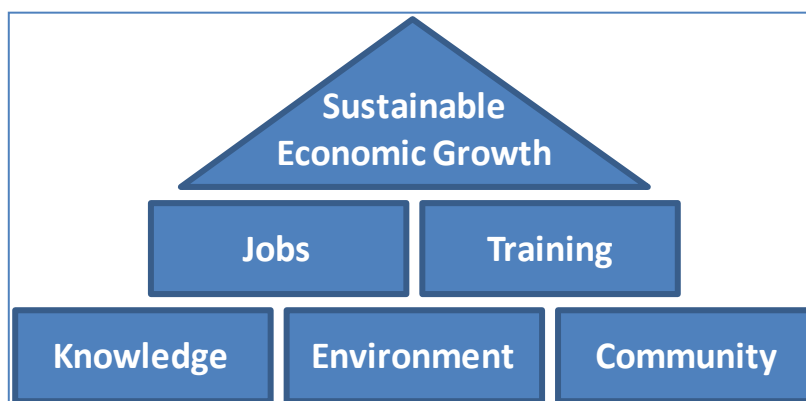
| Benefit Area  | Stakeholders Engaged  |
|---|---|
| Overall methodology and benefit share with Scottish Government.         | Scottish Government Capital and Risk Team   |
| National Housing Trust  | Scottish Government Housing Directorate<br>Project Manager  |
| Tax Incremental Financing   | City of Edinburgh Council – TIF Project Manager   |
| Validation (Forth Replacement Crossing and Vessel Investment Programme) | Transport Scotland – Director of Finance  |
| Waste   | Project Directors to the Clyde Valley Joint Residual Waste Project; the Joint Ayrshire Residual Waste Project; and the Joint Edinburgh and Midlothian Food and Residual Waste Projects. |
| hub Programme   | South East Territory – Chair of the Partnering Board  |
| Schools   | Scottish Government Learning Directorate – Acting Deputy Director   |



## 5. Qualitative Benefits

In addition to the benefits which been quantified in Section 4 above, SFT delivers substantial qualitative benefits that cannot be given a monetary value to our stakeholders and the wider Scottish society.

In many cases, these benefits are at least as important over a long term as the benefits that can be quantified and as such it is important that they are captured and reported.



The primary qualitative benefit delivered is economic growth, in that the quality and quantum of a country's infrastructure stock has been demonstrated to be a key enabler of growth (see Section 5.2 below). As such, the delivery of additional infrastructure (either through efficiency improvements, or additional investment) is a

driver of economic growth. As illustrated above, underpinning the primary qualitative benefit of economic growth are the building blocks of qualitative benefits relating to jobs and training in the construction sector; knowledge sharing across public sector partner organisations; promoting environmental improvements and benefits to the communities that are served by infrastructure delivered. These are the main qualitative benefits that SFT's activities support.

Section 5.1 illustrates how these qualitative benefits link to the five strategic objectives of the Scottish Government:- Wealthier & Fairer, Smarter, Healthier, Safer & Stronger, Greener.

Sections 5.2 to 5.7 below (with case studies of significant qualitative benefits in Annex 4) give examples as to how SFT's qualitative benefits complement the Scottish Government's five strategic objectives.

### 5.1. Links to Government Purpose

The stated purpose of the Scottish Government is to deliver increased sustainable economic growth. Set beneath this purpose are five strategic objectives relating to a wealthier and fairer, smarter, healthier, safer & stronger and greener society.

These objectives relate to outcomes for the population as a whole. These objectives will be directly and indirectly impacted by SFT's activities. The work SFT has done in maintaining a meaningful pipeline of infrastructure projects in times of budget constraint will play a significant role in contributing to the wealth of Scotland through the creation of new opportunities in the design, development, advisory, construction and facilities management

industries. This is further complemented by the focus SFT places on community benefits aspects related to the infrastructure programmes and projects it takes a leading role on. In addition, the support SFT brings to the delivery of new schools and community health facilities will help make Scotland smarter and healthier, and finally the support SFT provides to local authority waste treatment projects will make a significant contribution to making Scotland greener.

The table below maps the principal qualitative benefits that SFT delivers onto the strategic objectives of Scottish Government. This is further described in Sections 5.2 to 5.7 below.

| Scottish Government's Strategic Objectives | SFT Qualitative Benefit                           | Description  |
|--|---|--|
| 1) Wealthier & Fairer                      | <b>Sustainable Economic Growth</b>                | A viable and sustainable pipeline of construction projects will make Scotland an attractive place to invest, creating jobs and new opportunities across Scotland.  |
|  | <b>Job Retention &amp; Creation</b>               | Promoting affordable projects will help ensure that modern fit for purpose public services are available across Scotland.  |
|  | <b>Community Benefits</b>                         | Delivering new community infrastructure, affordable housing and promoting regeneration initiatives will all help deliver well-designed, sustainable communities; helping address some of the inequalities of opportunity and access to public services that exist across Scotland. |
| 2) Smarter                                 | <b>Training Opportunities</b>                     | Training opportunities on projects (e.g. hub projects that include a requirement to offer training opportunities) leads to better qualified, more skilled and more successful individuals.   |
|  | <b>Community Benefits &amp; Knowledge Sharing</b> | Knowledge sharing across the public sector leads to more informed and better equipped individuals to develop, deliver and manage more efficient and sustainable facilities and services. These are key aspects of the hub programme.   |

| Scottish Government's Strategic Objectives | SFT Qualitative Benefit   | Description   |
|--|---------------------------|---|
| 3) Healthier                               | <b>Knowledge Sharing</b>  | Knowledge sharing also contributes to higher quality and more accessible public services which is a contributor to the healthier outcomes within the Government's objectives.   |
|  | <b>Community Benefits</b> | The provision of modern healthcare facilities for communities, and healthier housing options linked to regeneration and the NHT are drivers of healthier outcomes.  |
| 4) Safer and Stronger                      | <b>Community Benefits</b> | Delivering new community infrastructure, affordable housing and promoting regeneration initiative will all help sustain safer and stronger communities through helping to address some of inequalities of opportunity and access to public services that exist across Scotland.   |
| 5) Greener                                 | <b>Environment</b>        | Projects such as the local authority waste projects and National Renewables Infrastructure Plan that SFT is supporting will play a significant role in reducing Scotland's green house gas emissions. In addition, the approach SFT promotes to the design of new facilities will help promote the use of recycled materials,, reduce waste during construction and lead to buildings that are more environmentally efficient leading to lower on-going energy demands. |

## 5.2. Sustainable Economic Growth

Over the past 20 years, a wide range of academics and commentators have strongly linked a nation's investment in public infrastructure to economic growth. Many academics and economists have asserted that favouring ongoing resource funding over capital investment in times of tightening spending, whilst perhaps easier at the time, will be likely to have the effect of both slowing economic recovery and leaving an increased legacy of poor-condition and potentially high-carbon assets to future generations.

In the 2011-2012 Budget, the Scottish Government has asked SFT to take “forward a new pipeline of revenue financed investment worth up to £2.5 billion” as well as delivering additional benefits from “innovative measures such as Tax Increment Financing and the National Housing Trust”. Taken together these total some £3 billion of additional investment over and above current capital funded budgets. This represents one of the biggest investment programmes of this type in Europe. SFT has played a significant role in developing the environment in which such a wide ranging and comprehensive investment programme, with the associated economic growth benefits, can be implemented successfully.

We have not quantified the economic benefit of the accelerated delivery of the £2.5bn NPD investment programme as compared to waiting for investment when capital budgets become available in this statement. However, a methodology for evaluating this high-level economic benefit has been established in Europe to support large-scale programmes of revenue funded investment. Case study 6 in Annex 4 applies this methodology to the £2.5bn pipeline and identifies a potential **£530m** economic benefit of accelerated investment.

### 5.3. Jobs

The significance of the construction industry to local and national economies should not be under estimated, and public spending on construction activities also helps to maintain employment within Scotland, principally in private sector businesses, in a sector where the Gross Value Add per employee is significantly higher than the national average. Given the very significant downturn in private sector construction activity in recent years, industry commentators have observed that maintaining public investment is needed to retain a regional skilled workforce in the sector.

SFT is actively working with many public sector bodies as well as contractors, builders, financing and funding organisations, professional bodies and other private sector groups involved in construction and, in the face of falling capital budgets, the £3 billion of additional revenue finance investment will help offset the decline in capital funded budgets and help protect jobs in the construction industry.

Using a generally accepted and conservative multiplier of £100,000 of construction turnover per job, the £3bn of additional investment over a four year period will support in excess of 7,000 jobs in the construction sector.

### 5.4. Training

Recent developments in procuring for community benefit will bring an increase in important training opportunities. In particular, the hub programme has included firm requirements and key performance indicators for delivering training opportunities in each of the five hub territories across Scotland. Providing such training opportunities will form part of each hubco’s continuous improvement programme. Detailed method statements set out the hubcos will deliver the level of training required each new project.

### 5.5. Knowledge

Sharing skills and experience is an important objective for SFT and we 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 has developed its role as the centre of expertise in infrastructure investment in Scotland collaborating with others to develop new and better ways of doing things, not bound by existing structures or methodologies. Through developing and retaining knowledge not often easily accessible to the public sector, SFT provides an infrastructure investment centre of expertise that is available to all public sector bodies. SFT's team has a wide range of expertise with specialist knowledge of areas such as waste and transport. That expertise, historically bought in by the public sector, is now deployed in a targeted and focused way to support the overall drive for value for money.

We 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. We also look also 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.

#### **5.6. Supporting sustainability and the environment**

Sustainability in the widest sense is a key driver for SFT when developing infrastructure and delivery solutions. We aim to ensure that economic, environmental and social sustainability are addressed in the early stages of project development to ensure: they are an inherent part of procurement and delivery to facilitate sustainable economic growth locally and nationally; to minimise adverse environmental impact, and; to promote the development of sustainable communities. The positive impact of high-quality sustainable design will be supported by SFT at all stages of procurement, and through to delivery.

In addition, significant aspects of our activity are focused on the development of environmental infrastructure which in itself can enhance the deliverability and achievability of environmental objectives, for example through our contributions to the development and implementation of the Scottish Government's Zero Waste Plan and its National Renewables Infrastructure Plan.

#### **5.7. Communities**

Improved outcomes for communities will be delivered not just by the projects themselves, but by the way in which projects are delivered.

Completed projects will allow public services to be delivered to communities in a more joined up way (e.g. hub); deliver affordable housing in high-cost housing areas to allow individuals and families to continue to live in their communities (e.g. NHT); improve the connectivity to rural communities (e.g. the Borders Railway project) and bring economic activity to disadvantaged areas (e.g. the Ravenscraig TIF project).

Delivering Projects will increasingly involve communities as stakeholders for example in the consultation exercises described as best practice in our guidance on schools building; include local Small and Medium Enterprises in supply chains as included as a key performance indicator in the hub programme.

### 5.8. Case Studies

In order to provide illustrative examples of these qualitative benefits, summary case Studies are provided for the following projects or initiatives in Annex 4:

- hub;
- Tax Incremental Finance, Edinburgh;
- The National Renewables Infrastructure Plan;
- The National Housing Trust;
- The Schools for the Future Programme; and
- The NPD Programme – The Benefits of Acceleration

## 6. Benefits Validation

SFT has arranged for independent validation of this 2010/11 Statement of Benefits from both Grant Thornton as a leading financial and business advisor with relevant experience in infrastructure investment in Scotland, and by academics from the London School of Economics and Political Science.

### 6.1. Grant Thornton

Grant Thornton (GT) was engaged to undertake an external review of the quantification of benefits, given their understanding of infrastructure investment in Scotland and of undertaking reviews of numerical analyses. They have not formally „audited“ the benefits statement as it is separate from the Company’s Financial Statements and Accounts. GT reviewed drafts of this document along with the spreadsheet calculation of benefits and backing papers. They also held discussions with SFT management on the methodology and underlying assumptions made. GT has reached conclusions on both the methodology adopted, and the reasonableness of the assumptions underpinning the individual benefits quantification.

GT observed that: “The intention is to provide a value in the current period Annual Report for benefits which are expected to crystallise in the future based on support or advice provided during the current period under review”

On that basis GT concluded that:

**Methodology:** [the methodology adopted] “appears to be a reasonable methodology” and “we can confirm that these elements of the methodology have been applied consistently to each quantified benefit”

**Assumptions:** “we consider the approach taken to quantifying individual benefits to be reasonable”

GT also recommended that in the future “further consideration should be given to including cash flows beyond the ten year period where it is prudent to do so”, and that “SFT should recognise the benefit of Revenue Funded Investment provided that sufficient confidence in the benefit exists and that the quantification is carried out in line with the methodology proposed by the European PPP Expertise Centre (EPEC).”

### 6.2. London School of Economics

London School of Economics and Political Science (LSE) were asked specifically to review the methodology adopted in valuing and reporting on benefits delivered from an academic standpoint. The team of three academics did not review in detail the source figures for the calculation of benefits but have reviewed the justifications given, recognising that these often represent hard to quantify benefits. LSE reviewed draft documents and met with both SFT team members and key stakeholders with whom benefits have been delivered.

The LSE team focused on the methodology and added that: “we have not checked the main calculations in detail ourselves; therefore we cannot directly vouch for the numbers/values stated. We assume that the figures provided to us are appropriate, and have reviewed the justifications given, recognising that these often represent hard to quantify benefits.”

On this basis LSE concluded that:

**Methodology:** “In our view the main structure of this methodology is sound, and a well-judged set of rules have been applied regarding confidence and sensitivity of benefit estimates. Specifically, the methodology supports sensitivity analysis using a benefits classification (Range and Sensitivity) that recognises an upper, lower and most likely level of benefit. We agree that the most likely level of benefit is the appropriate level to use in primary reporting”

**Conclusion:** “the message being prepared by SFT in its Benefits Report conveys positive facts about the potential and real cost and effectiveness savings which are being achieved” and “this year we are pleased to see more attention paid to recording and reporting qualitative aspects of benefit from SFT’s work ”.



## **ANNEX 1 – Benefit Methodology**

In order to recognise SFTs benefits, a methodology is required to measure the value of benefits delivered. The majority of benefits driven through SFT activities occur in the future; the long-term nature of infrastructure investment and procurement makes this so. Benefits are also driven in-year; these are predominantly savings from avoided costs.

This Annex sets out the methodology adopted. The methodology is based on; (i) identifying the benefit; (ii) calculating a value for the benefit; (iii) applying a confidence factor depending on the stage of development of the initiative; and (iv) applying a sharing mechanism to take into account the partnership working that is involved in delivering the benefit. A sensitivity is then run to determine the most likely and upper and lower bands. Finally there is an undertaking, the same as initially set out in SFT's corporate plan, to update this measurement each year as initiatives develop. Thus, for example, when we are assessing the 2010/11 benefits, the development work carried out on TIF after the 2009/10 year end will allow a higher confidence factor this year than last, representing the significant progress that has been made in having two TIF schemes approved

### **Identification**

The identification of benefits delivered has been an ongoing process undertaken by all staff throughout the year. The SFT team has focused on the delivery of benefits as a private company would focus on the delivery of profit and shareholder value; it has guided SFT's priorities allowing a focus to be kept on activities that will drive the greatest value. In many instances, activities undertaken have delivered qualitative benefits that staffs have been able to describe, and which have been of significant value to partner organisations. Section 5 of the main report summarises some of the qualitative benefits delivered by SFT's work.

For each quantifiable benefit identified, a proforma has been completed to record the details of the benefit and its quantification including any assumptions made. The last page of this Annex shows the format of the proforma used. In the case of benefits with complex valuations, or where further backup of assumptions made is required, a document has also been completed with this detailed information. Annex 2 shows a list of the further backup documentation and Annex 5 has a detailed listing of the benefits.

The quantification from each proforma is then taken into a calculation spreadsheet, where the overall benefit for SFT is quantified using the methodology explained.

### **Valuation**

Long-term benefits have been measured by identifying future cash flow benefits and discounting them back (using the standard government discount rate of 3.5%) to a present value for the year in which the benefits are being reported. Benefits are then attributed to 2009/10 or subsequent years by identifying the percentage of the present value which relates to the work completed in the particular year. For example, a 25 year long project which takes 2 years to procure may have a future cash flow benefit resulting from SFT work over the 25 year life of the project. If SFT activities are split equally during the two year procurement

period, 50% of the present value of the future cash flow benefit will be recognised in procurement year 1 and the remaining 50% in procurement year 2.

The valuation of future benefits necessarily involves a series of assumptions around the future financial impact of the interventions made by SFT. These assumptions are fully detailed in the supporting documentation detailed in Annex 2 and published on our website. However, as infrastructure investment represents a series of unique projects that are each only ever undertaken once, the counterfactual of an identical project or programme without SFT intervention will never occur. An element of assumption, backed up with appropriate evidence, will always be required in valuing benefits delivered.

### **Confidence Factors**

SFT has limited resources, and a remit to deliver substantial benefits. We assess all of our potential activities and generally only deploy our resources towards those that have a good chance of delivering a tangible benefit. Through the year, we have had to turn down areas of activity suggested to us by partner organisations because of resource limitations and a need to focus on areas which we believe can deliver maximum benefit.

Notwithstanding the above, confidence factors have been applied to each benefit recognising that some of our interventions during the year have some way to go before benefits are delivered, and others require support and input from third parties outside our control in order to deliver. The table below outlines a description of each confidence factor and the associated percentage of benefit recognised. The minimum confidence level of 55% used, representing „moderate“ confidence reflects this prioritisation of our work away from activities that have a lower chance of delivering tangible benefits:

| <b>Confidence Factor</b> | <b>Confidence Factor Description</b>  | <b>% of Benefit Recognised</b> |
|--------------------------|---|--------------------------------|
| A – Certain              | Benefit has already been delivered  | 100%                           |
| B – Very Good            | Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed  | 90%                            |
| 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%                            |
| D – Moderate             | Deliverable benefit identified with discussions ongoing with third party(ies) to put firm plans in place for delivery   | 55%                            |

### **Sharing**

SFT works in partnership with a number of parties across the public sector to deliver better value for money. The great majority of the benefit that we deliver could not be realised without the commitment and parallel activities of these other parties. Accordingly the

measurement of benefits has been shared with other parties. Typically benefits have been measured using one of the following sharing mechanisms:

| Sharing Mechanism | % of Benefit Attributable to: |                            |   |
|-------------------|-------------------------------|----------------------------|---|
|                   | SFT                           | Partner<br>(e.g. SG or LA) | Partner<br>(e.g. SG or LA) <sup>2</sup> |
| 1                 | 100%                          | -                          | -                                       |
| 2                 | 50%                           | 50%                        | -                                       |
| 3                 | 33.3%                         | 33.3%                      | 33.3%                                   |

By sharing benefits with other parties in our calculation methodology, we are rightly only attributing to SFT a proportion of the benefits accruing from the activities in which we are involved with others. The percentage splits are at a high level, recognising the sharing but not at this stage attempting to quantify any proportionally differing input of the various participants into the benefit delivered.

### Range and Sensitivity

The measurement methodology recognises that the majority of SFT's activities drive benefits in the future. It is acknowledged that even given the confidence factors and discounting applied, the certainty of benefits delivered several years into the future is lower. It is therefore common practice in economic forecasting to ignore effects more than a set period into the future for sensitivity analysis. It is also possible to undertake sensitivity analysis on the confidence factors applied.

In order to understand the potential range of benefits delivered in terms of upper, lower and most likely, the following sensitivities have been undertaken:

| Sensitivity                          | Future Benefits Recognised   | Confidence Factor                 |
|--------------------------------------|--|-----------------------------------|
| <b>Upper Benefit Range</b>           | All future benefits recognised   | Evaluated confidence factor used  |
| <b>Most Likely Benefit</b>           | Future benefits capped at 10 years   | Evaluated confidence factor used  |
| <b>Lower Benefit Range</b>           | Future benefits capped at 10 years   | Reduce confidence factors by 20%. |
| <b>Most Likely Benefit - Variant</b> | Future benefits capped at 10 years (except for benefits where unless there is a secure rationale to support the forecast benefit extending beyond 10 years). | Evaluated confidence factor used  |

This range and sensitivity analysis incorporates the effect known as “optimism bias” where estimators can tend towards the over optimistic in their assessment of future outcomes. Uncertainty over events further into the future, and allowance for this optimism bias have led to lower estimated for the most likely, and lower level of benefits that might be delivered. It should be noted however that the upper and lower estimates do not represent mathematically an absolute maximum and minimum, they should perhaps be seen statistically as 10<sup>th</sup> and 90<sup>th</sup> centiles of certainty.

All reporting at a high level in this document is based on the **Most Likely** scenario.

It should be noted that where all of the future benefits arise within the 10 year period, the upper and most likely scenarios present the same result.

### Benefit Proforma

|                        |  |
|------------------------|--|
| <b>Benefit Ref:</b>    | Benefit Unique Reference Number (Prefix „A“ – Avoided Cost, B – Additional Investment, „C“ - Funding and Finance, „D“ - Delivery, „E“ – Validation, „F“ & „G“ - Centre of Expertise)   |
| <b>Title:</b>          | Benefit Title  |
| <b>Description:</b>    | The basis for the benefit as well as a concise description of the benefit.   |
| <b>Quantification:</b> | <p><b>2009/10 Benefit Quantification &amp; Realisation:</b></p> <p>A restatement of the benefit quantification for 09/10 and the forecast period over which the benefit will be realised, revised to take account of changes to any previous assumptions.</p> <p><b>2009/10 &amp; 2010/11 Benefit Quantification Realisation:</b></p> <p>A summation of the 2009/10 benefit (revised if required) plus any additional activity under the same heading carried out in 2010/11.</p>  |
| <b>Sharing:</b>        | The percentage share attributable to SFT to reflect the input of other stakeholders – 100%, 50% or 33.3%.  |
| <b>Confidence:</b>     | <p>The confidence factor attached to reflect the likelihood of the estimated benefit being delivered.</p> <p>A – Certain – Benefit has already been delivered. – 100%</p> <p>B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%</p> <p>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%</p> <p>D – Moderate - Deliverable benefit identified with discussions ongoing with third party(ies) to put firm plans in place for delivery. – 55%</p> <p>Note: Different years may have different confidence factors</p> |
| <b>Phasing</b>         | The period in which SFT will undertake the work to deliver the benefits quantified, expressed as a percentage of the work attributable to each year.   |

## **ANNEX 2 – Backup Documents**

This summary of SFT’s benefits is accompanied by the following documents:

1. “Scottish Futures Trust, Statement of Benefits 2010-11 - Supporting Material”; and.
2. “SFT Statement of Benefits 2010-11 - Calculations”

The supporting material is available on the „publications“ section of the SFT website at [www.scottishfuturestrust.org.uk](http://www.scottishfuturestrust.org.uk)

### ANNEX 3 – Sensitivity Analysis

| Benefit Type  | Upper Benefit (£m) |      | Most Likely Benefit (£m) | Lower Benefit (£m) |      |
|---|--------------------|------|--------------------------|--------------------|------|
|   | Value              | %    |                          | Value              | %    |
| Avoided Costs   | £3.2m              | 33%  | £2.4m                    | £1.9m              | -22% |
| Efficiency Gain:<br>Funding and<br>Finance                                      | £39.3m             | 163% | £14.9m                   | £11.6m             | -22% |
| Efficiency Gain:<br>Validation  | £33.4m             | 73%  | £19.3m                   | £13.6m             | -30% |
| Efficiency Gain:<br>Delivery<br>(including<br>Aggregation and<br>Collaboration) | £28.0m             | 67%  | £16.7m                   | £12.6m             | -25% |
| Efficiency Gain:<br>Centre of<br>Expertise                                      | £61.7m             | 48%  | £41.7m                   | £29.4m             | -30% |
| Additional<br>Investment  | £38.0m             | 0%   | £38.0m                   | £31.5m             | -17% |
| <b>TOTAL</b>  | £203.6m            |      | £133m                    | £100.6m            |      |
| <b>Cost</b>   | £4m                |      | £4m                      | £4m                |      |
| <b>Net Benefit</b>  | <b>£199.6m</b>     |      | <b>£129m</b>             | <b>£96.6m</b>      |      |

*NB: Figures subject to rounding*

## ANNEX 4 – Qualitative Benefit Case Studies

In order to provide illustrative examples of the qualitative benefits SFT brings through its activities, six summary case studies are provided for the following projects or initiatives in:

1. hub;
2. Tax Incremental Finance, Edinburgh;
3. The Schools for the Future Programme;
4. The National Renewables Infrastructure Plan;
5. The National Housing Trust; and
6. The NPD Programme – The Benefit of Acceleration.

### Case Study 1: hub

The hub programme promotes and encourages public bodies to work together to deliver better buildings and enhanced public services for communities across Scotland. It also creates the opportunity for significant additional wider social and community benefits that can be summarised as:

- **Service Improvements for Users** – The hub programme will be an enabler to the delivery of improved quality, speed, reliability and flexibility of public services, as well as improved access to services through co-location and integration of public services;
- **Environmental Improvements** – The hub programme will deliver fit for purpose facilities that improve the service experience for users as well as the working environment for staff;
- **Design Quality** – The hub programme will promote shared learning and continuous improvement through a coordinated knowledge management and dissemination programme to secure better building functionality, aesthetics and environmental efficiency/performance;
- **Social and Community Improvements** – The hub programme will deliver public service buildings that provide a focus for communities. It will deliver sustainable facilities and help regenerate communities through attracting other services into communities; and
- **Employment and Economic Well-Being** – The hub programme will secure local training and work opportunities, as well as building and service opportunities for SME's and the third sector, through a sustained programme of premises investment.



### Case Study 2: Edinburgh TIF

TIF is a new financing tool that has been developed by SFT to unlock regeneration initiatives across Scotland.

The City of Edinburgh Council received provisional approval from Scottish Ministers to use Tax Incremental Financing (TIF) to fund the Edinburgh Waterfront regeneration project in September 2010. This is the first of its kind in the UK.

This is one of three pilot TIF projects SFT is currently working on. This initiative is key to unlocking the potential of the Edinburgh Waterfront and will see public sector investment of £83m unlock more than £600m of private sector investment, create nearly 5,000 full-time equivalent jobs and deliver additional economic growth of c. £140m per annum.

### Case Study 3: The Schools for the Future Programme

In implementing the Schools for the Future Programme, there is the potential to realise a number of qualitative benefits, including:

- **Improvement in Post Occupation Quality** – As a result of improved construction quality together with the requirement for post construction testing to be undertaken to confirm achievement of objectives prior to occupation, this may result in opportunity for enhanced educational attainment, increased job satisfaction, as well as improved social inclusion.
- **Improvement in Satisfaction Levels of Stakeholders** – The proactive approach to Stakeholder and Community engagement should realise greater user and stakeholder satisfaction in the new schools;
- **Additional Social Benefits** – the new schools will create the potential for increased interaction with the local community, with the school not only acting as an education facility but as a community hub for the provision of other public services and social services. This will help break down historic barriers between the community and the school as well as promoting an increased sense of civic pride.
- **Recruitment and Training** – The schools programme will deliver recruitment and training opportunities for local workers.
- **Increased Opportunity for SME Development** – The schools programme will deliver opportunities for local SMEs to offer services as part of the construction supply chain.
- **Enhanced Design** - The schools programme will deliver high learning environment through, best use of natural daylight, allowing occupants to control their immediate

learning environment, as well as promoting low ambient noise levels; all of which have been shown to lead to increased user satisfaction for both staff and pupils.

- **Energy Efficiency** - The schools programme will ensure that end users are involved in the energy efficiency decision making process. This will allow them to have a better understanding of the property's energy efficiency and permit them to more fully interpret energy consumption and inform them how the property may be more efficiently managed.
- **Reducing/ Reuse or Recycling of Construction Waste** - The schools programme will ensure that construction contractors required to comply with WRAP Guidance to reduce the amount of waste arising from construction activities.

#### Case Study 4: The National Renewables Infrastructure Plan

SFT is providing senior level commercial and financial support to the development and implementation of the Scottish Government's National Renewables Infrastructure Plan (N-RIP), spanning a gap between policy development and robust financial and commercial solutions that are deliverable in practice. N-RIP's purpose is to support the development of a globally competitive offshore renewables industry based in Scotland and to ensure this can be achieved in a sustainable fashion. Ten sites were considered for potential investment. To understand the scale of potential economic impact that would arise if these sites were to be developed for manufacturing use, a high level economic impact model was developed for illustrative purposes, that sets out gross indicative direct manufacturing jobs only, as detailed below.

| Equipment      | Gross Direct Employment (Single Facility) | Annual GVA (Single Facility) | Estimated Capacity of First Phase (N-RIP Sites) | Potential Total Gross Direct Employment | Potential Total Annual GVA |
|----------------|---|------------------------------|---|---|----------------------------|
| <b>Nacelle</b> | 120                                       | £6.8m                        | 5   | 600                                     | 34m                        |
| <b>Tower</b>   | 327                                       | £18.6m                       | 5   | 1635                                    | 93m                        |
| <b>Blade</b>   | 327                                       | £18.6m                       | 5   | 1635                                    | 93m                        |
| <b>Jacket</b>  | 262                                       | £14.9m                       | 5   | 1310                                    | 74.5m                      |
| <b>Total</b>   |   |                              |   | 5180                                    | 294.5m                     |

SFT's work on this programme will help unlock the significant additional employment and investment opportunities identified in the table above.

The Plan is also central to the climate change agenda and is intended to unlock renewable energy generation capacity to meet the Government's renewable energy targets.

### Case Study 5: National Housing Trust

The establishment of the National Housing Trust creates additional investment in affordable homes which, but for the creation of this a new initiative, would not have happened otherwise. In implementing the National Housing Trust, a number of qualitative benefits have been unlocked:

- **Creating Jobs and homes** - The NHT Initiative will provide opportunities for the construction sector and the general economy during a challenging period. The project will result in an initial investment of circa £100m, which in turn will support circa 1500 construction jobs across Scotland.
- **Training Knowledge Sharing** - The NHT Initiative will create an environment that will lead to the up skilling of a number of SMEs across Scotland. The initiative will create number of joint venture vehicles to run the each location. For many small SMEs this will be a new experience. The joint venture vehicles, delivering affordable housing in an innovative way, will provide an opportunity for knowledge transfer between the public and private sector.
- **New Ways of Thinking** - Building on the success if the NHT initiative SFT has explored how the core principles behind the initiate be can used to grow the „toolbox“ to enable the delivery of further affordable housing across Scotland.
- **Community Benefits** - to the areas where the houses are built and where there will be an increased availability of high-quality affordable housing with a professional landlord service for families and individuals in housing need.

### Case Study 6 - The NPD Programme – The Benefit of Acceleration

The central and overriding benefit of revenue funded investment identified in the Scottish Government’s draft budget is its ability to accelerate investment during times of capital scarcity, contributing to sustainable economic growth. The following extracts from the budget document highlight this:

“As a result of our concern about the effect of the rapid and deep reductions in capital spending flowing from decisions in the UK Spending Review and the implications that these will have for the pace of implementation of the capital programme and the strength of the Scottish economy, the Scottish Government will explore all possible means to support higher levels of infrastructure investment than would be possible through the capital budget alone. This effort will be particularly important to support recovery and sustainable economic growth, as capital budgets will fall sharply in 2011-12 and are likely to remain low for several years.”

“As revenue budgets begin to recover in the medium term, there is an opportunity to use revenue finance effectively and judiciously. The Scottish Government therefore proposes that investment decisions on revenue financed investment should be made within a clear and

sustainable overall financial framework, to ensure affordability over the medium to long term.”

It is clearly the case that there is benefit in the accelerated delivery of policy objectives that comes from making these investments earlier, and allowing the public to make use of the assets sooner than would have been possible under the heavily constrained current capital budget scenario.

It would be possible to quantify this benefit in the main body of the Statement and include the value of accelerated delivery within the reported SFT benefits figure. However, at this stage we have elected to report qualitatively on this overriding benefit to the Scottish economy.

The European PPP Expertise Centre (EPEC) has highlighted an approach to quantifying the benefit of early investment facilitated by revenue funded structures that was first adopted by the French PPP expertise centre to support the substantial revenue funded investment programme that France is currently undertaking. This is based on a premise that the “benefit” delivered by an investment must be equal to the overall cost of the investment, otherwise the investment would not be made. If that is the case, then the benefit of an earlier investment can be quantified as the difference in NPV of the overall investment value made at the earlier time (through revenue funding) versus the later time (through capital funding).

Overall, it is assumed that the profile of expenditure under the £2.5bn revenue funded pipeline represents an acceleration of 5 years versus traditional capital budget expenditure. This is based on the known profile of capital availability over the next 4 years, and the large ongoing projects (Forth Replacement Crossing and Glasgow Southern General Hospital) extending beyond that period. If anything this is considered to be an under estimate of the likely level of acceleration.

Overall this analysis shows that the NPV differential between a life cycle cost profile for the £2.5bn investment programme over 30 years had it been funded from capital budgets today and an equivalent with a 5-year delay is approximately £572m. This figure is the *value* of acceleration of the £2.5bn programme by 5 years.

Our calculations identify that there is unlikely to be any substantial cost differential between NPD and Capital Funded route. Based on a series of assumptions at a programme level and current funding costs in the financial markets, there could be a 1% cost differential of around £42m. This represents the *cost* of acceleration.

Therefore, the net benefit following the EPEC approach is £572m - £42m = **£530m**.

This potential benefit of accelerated investment has been calculated using a series of simplifying assumptions at this stage to look first at the underlying principles of the approach adopted to measuring the economic value of investment programme acceleration. We have not sought to profile the benefit, identify partner parties involved in its delivery or a probability factor.

## ANNEX 5 – SFT’s 2010/11 Benefits

The table below lists the value of each individual benefit reported for 2010/11. The figures below represent the aggregate benefit value for the two-year period 2009/10 and 2010/11 less value of the benefit reported in 2009/10.

Across 53 benefits, some being new areas of work and others representing continued work from 2009/10, much positive progress has been made. Areas such as the National Housing Trust (NHT) have become more certain reflecting the progress made through the procurement process. Therefore NHT, as an example, is reported as a positive number reflecting the progress made.

Given the breadth and scope of SFT’s work not all continuing activities will have progressed as envisaged at the last year end and these are reflected as negative numbers in the list below. A negative number has been reported for benefits C2 and G2. In relation to C2, this reflects the fact that it has been decided not to pursue the inclusion of a guarantee into the Borders Rail project. In relation to G2 this reflects the updated scope and timing of local authority waste infrastructure projects to reflect the requirements of the Scottish Government’s ZWP.

Detailed calculations supporting each individual benefit are available in the supporting calculation spreadsheet – “SFT Statement of Benefits 2010-11 Calculations” which is available from SFT’s web site [www.scottishfuturestrust.org.uk](http://www.scottishfuturestrust.org.uk).

| No. | Title   | Value    |
|-----|---|----------|
| A1  | Key Stage Reviews - PUK KSR Costs Avoided                         | £121,000 |
| A2  | Waste - Gateway Review Costs Avoided                              | £30,000  |
| A3  | Waste - Data Capture and Market Engagement                        | £13,200  |
| A4  | Waste - Programme Support   | £100,000 |
| A5  | Waste - Procurement Cost Benefits - Avoided Support Costs         | £432,000 |
| A6  | ESA 95 - Consultancy Costs Avoided                                | £24,094  |
| A7  | TIF - Consultancy Costs Avoided                                   | £127,125 |
| A8  | NHT - Consultancy Costs Avoided                                   | £472,800 |
| A9  | URC - Consultancy Costs Avoided                                   | £16,200  |
| A10 | Vessel Investment Programme - Consultancy Costs Avoided           | £100,000 |
| A11 | Collaborative Housing - Consultancy Costs Avoided                 | £149,000 |
| A12 | Waste - Avoided Abortive Advisory Costs Clyde Valley              | £77,000  |
| A13 | Waste - Avoided Advisory Costs - Projects other than Clyde Valley | £104,268 |
| A14 | Waste - Avoided Advisory Costs - Clyde Valley                     | £8,193   |
| A15 | Waste - Avoided Disposal Costs - Clyde Valley                     | £12,596  |
| A16 | Waste - Food Treatment Support                                    | £12,000  |

| No. | Title  | Value       |
|-----|--|-------------|
| A17 | Waste - Avoided Future Contract Variations                             | £196,385    |
| A18 | Avoided Consultancy Costs - NPD Contract                               | £74,000     |
| A19 | hub - Consultancy Costs Avoided  | £121,096    |
| A20 | hub performance management - avoided costs                             | £47,824     |
| A21 | Asset Management - Avoided Cost of Pilot Development Work              | £134,000    |
| A22 | Optimism Bias & Contingency Management Review - Development Work       | £49,155     |
| B1  | TIF - Development of Model   | £22,285,114 |
| B2  | NHT - Development of Model   | £15,774,897 |
| C1  | Western Isles and Orkney Schools Projects - Finance Structure          | £11,824,795 |
| C2  | Borders Rail - Lower Financing Costs (Nil Benefit)                     | -£255,142   |
| C3  | Borders Rail - Competition   | £424,828    |
| C4  | Orkney Schools Projects - Business Case Diligence                      | £353,896    |
| C5  | RHSC/DCN Procurement Strategy and Increased Competition                | £361,130    |
| C6  | NPD Contract - Saved Procurement Time                                  | £780,215    |
| C7  | NPD Contract - Optimal Risk Transfer                                   | £849,219    |
| C8  | NPD Programme - Reduced Cost of Capital                                | £554,195    |
| C9  | hub - Return on Working capital investment                             | £15,718     |
| D1  | Hub Programme - Reduced Procurement Time                               | £3,005,297  |
| D2  | Hub Programme - Capital Costs Continuous Improvement                   | £3,235,532  |
| D3  | Hub Programme - Bid Costs Savings                                      | £1,460,486  |
| D4  | Hub Programme - Public Sector Investment Returns                       | £715,330    |
| D5  | Hub Programme - Reduced Rates of Return                                | £1,089,312  |
| D6  | Hub Programme - Dialogue Stage Public Sector Savings                   | £374,944    |
| D7  | Schools Programme - Pilot Project Savings                              | £629,130    |
| D8  | Schools Programme - Needs Identification                               | £2,405,261  |
| D9  | Schools Programme - Continuous Improvement Savings                     | £3,816,436  |
| E1  | Validation - Non-Standard Civils Projects (FRC)                        | £6,748,396  |
| E2  | Validation - Standard Accommodation Projects                           | £1,060,483  |
| E3  | Validation - Vessel Investment Programme                               | £11,212,056 |
| E4  | Validation - Non-Standard Civils Projects (Borders Railway)            | £317,638    |
| F1  | Operational Projects Support   | £2,201,958  |
| G1  | Waste - Procurement Timetable Avoided Disposal Costs - ex Clyde Valley | £3,198      |
| G2  | Waste - Service Cost (Reduced Gate Fees) - Projects ex Clyde Valley    | -£1,011,763 |

| No.          | Title  | Value               |
|--------------|--|---------------------|
| G3           | Waste - Reduced Gate Fees - Clyde Valley               | £2,579,914          |
| G4           | Budget Recast - Initial Benefit Identification         | £30,422,606         |
| G5           | Asset Management                                       | £7,064,898          |
| G6           | NPD Programme - Needs not Wants - Scrutiny & Challenge | £448,627            |
| <b>Total</b> |  | <b>£133,170,537</b> |

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