Scottish Futures Trust

Statement of Benefits 2010/11

Supporting Material

June 2011

SCOTTISH FUTURES TRUST

Scottish Futures Trust
Statement of Benefits - 2010/11
Supporting Material

Introduction

This supplementary document contains supporting material for each of the individual benefits identified. Each benefit is listed on the following contents page and has a section setting out the nature of the intervention made by SFT that delivered the benefit, and the assumptions and methodologies used in its quantification. This document should be read in conjunction with the associated excel work book (SFT Statement of Benefits 2010-11 - Calculations), a copy of which is available on SFTs website at www.scottishfuturestrust.org.uk. This workbook contains:

- Title Sheet
- Top-10 Benefits Summary
- Results Summary (by class of benefit including sensitivities)
- Total benefit calculation – Sensitivity 1 – Upper Range
- Total benefit calculation – Sensitivity 2 – Most Likely
- Total benefit calculation – Sensitivity 3 – Lower Range
- Total benefit calculation – Sensitivity 4 – Most Likely Variant on 10 Year Cut-Off
- Tabulation of confidence factors
- A worksheet for each of the benefits identified.

Contents

A1 – Key Stage Reviews – PUK KSR Costs Avoided

Benefit Ref:	A1
1. Title:	Key Stage Reviews - PUK KSR Costs Avoided
2. Description:	The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to carry out project reviews. Key Stage Reviews for "standard" schools / health projects were previously undertaken by Partnerships UK on behalf of the Scottish Government on a fixed scope fixed fee basis to provide independent commercial readiness review of PPP/NPD projects as they go through key procurement stages. The fee for 2008-09 stood at £5,666 per review, payable by the sponsoring department and projects were normally subject to reviews before an OJEU notice is published, before tender documents are issued, before a preferred bidder is appointed, and before financial close. Reviews consisted of a maximum 1-2 days desktop review of project documentation under taken by a single reviewer with a report being submitted to SG FPU for discussion with the project sponsor. We have used this as a reference cost for reviews undertaken by SFT during 2009-10. Since then, SFT has considerably changed the way KSRs are undertaken by involving normally a team of reviewers and including interviews with the project sponsor and key members of the project team in order to provide a more rigorous and thorough review. Therefore the old cost benchmark for KSR is no longer appropriate for the purposes of estimating benefits for 2011-11. On one occasion in 10/11 SFT commissioned others to undertake a KSR on its behalf following the SFT process and using the SFT pro-forma documentation. The invoiced cost came in at £18k + VAT including expenses. Using this and other benchmark costs for comparable reviews, SFT has used £15k per review as a more appropriate benchmark for "standard" KSRs in 2010/11. However, "non standard" bespoke KSRs (e.g. FRC) have been valued on the basis of the avoided cost of buying in the equivalent time at typical external rates.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** **Standard KSR** During financial year 2009-10 six standard reviews were carried out by SFT. Previously PUK had been commissioned to carry out the reviews on a fixed scope fixed fee basis to provide independent commercial readiness review of PPP/NPD projects as they go through key procurement stages. The fee for 2008-09 stands at £5,666 per review, payable by the sponsoring department and projects were normally subject to reviews before an OJEU notice is published, before tender documents are issued, before a preferred bidder is appointed, and before financial close. Reviews consisted of a desktop review of project documentation with a report being submitted to SG FPU for discussion with the project sponsor. The reviews in 2009/10 were: • Tayside Mental Health Pre-PB and Pre-FC KSR • Orkney Schools Pre-IFT KSR • Western Isles Schools Pre-ITN and Pre-PB KSR • Moray Schools Pre-IFT KSR

Under the previous arrangement with PUK these would have cost 6 x £5,666 = £33,996 in total. SFT has undertaken these reviews thereby absorbing the cost within its normal budget and without a charge back to either the projects or programme sponsoring departments. In addition to the traditional desk top review, SFT has further undertaken to interview project teams and to discuss any concerns and/or recommendations directly with projects to ensure satisfactory conclusions.

Forth Replacement Crossing KSR

Separately SFT has undertaken a significant and bespoke KSR for the Forth Replacement Crossing project prior to the launch of its Invitation to Participate in Dialogue (ITPD). The likely cost of this if contracted externally is calculated and added to the cost saving for undertaking standard KSRs internally, using typical external adviser rates.

The Pre-ITPD KSR review carried out by SFT for the Forth Replacement Crossing project was a bespoke review with significantly greater senior level time input than a standard KSR report.

Grade	Typical Day Rate	Time Input	Cost
Partner	£2000	5 days	£10,000
Director	£1800	10 days	£18,000
Assistant Director	£1500	10 days	£15,000
		TOTAL	£43,000

Total 2009-10 benefit therefore £33,996 + £43,000 = £76,996

2009/10 & 2010/11 Benefit Quantification Realisation:

The additional reviews carried out in 2010/11 were:

- Orkney Schools Pre-PB HSR (x2 due to delays in procurement) and Pre FC KSR
- Western Isles Schools Pre- FC
- Moray Schools Pre-FC KSR

Following the logic outlined above, the cost saved 5 x £15,000= £75,000 in total.

Forth Replacement Crossing KSR

SFT also undertook another significant and bespoke KSR for the Forth Replacement Crossing project prior to the project appointing a preferred bidder. As before, the likely cost of this if contracted externally is calculated and added to the cost saving for undertaking standard KSRs internally, using typical external adviser rates

<table>
<tr><td></td><td>
<table>
<tr><th>Grade</th><th>Typical Day Rate</th><th>Time Input</th><th>Cost</th></tr>
<tr><td>Partner</td><td>£2000</td><td>10 days</td><td>£20,000</td></tr>
<tr><td>Director</td><td>£1800</td><td>10 days</td><td>£18,000</td></tr>
<tr><td>Assistant Director</td><td>£1500</td><td>10 days</td><td>£15,000</td></tr>
<tr><td></td><td></td><td>TOTAL</td><td>£53,000</td></tr>
</table>

Total 2010-11 benefit therefore = £75,000 + £ 53,000 = £128,000.

Total estimated benefit over 2009/10 & 20010/11 = £ 76,996 + £128,000 = £204,996.
</td></tr>
<tr><td>4. Sharing:</td><td>100% SFT</td></tr>
<tr><td>5. Confidence:</td><td>A – Certain – Benefit has already been delivered. – 100%</td></tr>
<tr><td>6. Phasing</td><td>2009/10: £76,996 (38%)
2010/11: £128,000 (62%)</td></tr>
</table>

A2 – Waste – Review Costs Avoided

Benefit Ref:	A2
1. Title:	Waste – Review Costs Avoided
2. Description:	The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to carry out project reviews. SFT is supporting local authorities which manage more than half of Scotland"s household waste. All local authorities will need to access new waste treatment facilities to meet the requirements of EU legislation and the Scottish Government"s Zero Waste policy. As part of its overall support package, SFT, where invited, offers an independent commercial review of major waste infrastructure projects at key milestones during the project"s development and procurement. The purpose of these reviews is to increase the likelihood of projects achieving successful outcomes.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** In 2009/10 SFT undertook a pre-ITPD review of the Glasgow City Council (GCC) waste project to assess readiness of the project team prior to issue of tender documents. The benefit quantified for 2009/10 remains unchanged: • Benefit Recognised: £15,000 • Confidence: High • Year of creation: 2009/10 • Year of delivery: 2009/10 **2009/10 & 2010/11 Benefit Quantification Realisation:** In addition to the Glasgow pre-ITPD review in 2009/10, in 2010/11 SFT undertook 1) a pre ISOS review of the Joint Ayrshire Residual Waste Project; and 2) a pre OJEU review of the Joint Edinburgh and Midlothian Food Waste Treatment Project. Assume the same basis for quantifying this benefit as for 2009/10: • Benefit Recognised: £15,000/review = 3 x £15,000 = £45,000 • Confidence: High • Year of creation: 2009/10 & 2010/11 • Year of delivery: 2009/10 & 2010/11 **Total estimated benefit over 2009/10 & 20010/11 = £ 45,000.**
4. Sharing:	SFT – 100%
5. Confidence:	A – High (100%) – Benefit has already been delivered
6. Phasing	2009/10: £15,000 20010/11: £30,000

A3 – Waste – Data Capture and Market Engagement

Benefit Ref:	A3
1. Title:	Waste – Data Capture & Market Engagement
2. Description:	The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to collect and disseminate data and market intelligence to help inform the nature, scope and procurement strategy of waste infrastructure projects. Promoting greater clarity as to local authority infrastructure plans, developments within the private sector and any bottlenecks to efficient and effective delivery allows the Scottish Government and local authorities to work together to mitigate the associated risks, address bottlenecks, increase the alignment of projects to policy objectives and structure service requirements that will attract healthy competition and hence drive value for money. It also allows the waste industry to respond effectively to the needs of the public sector.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** In 2009/10 SFT established and populated the initial waste infrastructure database and presented information to key stakeholders. The benefit quantified for 2009/10 remains unchanged • Benefit Recognised: £50,000 • Confidence: High • Year of creation: 2009/10 • Year of delivery: 2009/10 **2009/10 & 2010/11 Benefit Quantification Realisation:** In addition to the work undertaken in 2009/10, SFT has maintained its database and promoted its use through its website and presented observations to key stakeholders and the waste industry in general to help promote effective and informed decision-making. The value of the work undertaken in 2010/11 has been estimated using typical external adviser rates at 1 day pcm @£350/day maintaining the database and disseminating information plus 1 day pcm @ £750/day engaging with local authorities, Scottish Government, COSLA, professional advisors, contractors etc in relation to the database. The benefit is therefore estimated at £1100/pcm x 12 months = £13,200. • Benefit Recognised: £50,000 + £13,200 = £63,200 • Confidence: High • Year of creation: 2009/10 & 2010/11 • Year of delivery – 2009/10 & 2010/11 **Total estimated benefit over 2009/10 & 2010/11 = £ 63,200.**

4. Sharing:	SFT – 100%
5. Confidence:	A – High (100%) – Benefit has already been delivered
6. Phasing	2009/10: 79%; 2010/11: 21%

A4 – Waste – Programme Support

Benefit Ref:	A4
1. Title:	Waste – Residual Waste Treatment Programme Support
2. Description:	The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to provide a waste infrastructure programme management and centre of expertise support function similar in nature to those established in England, Wales and Northern Ireland. Sharing best practice and lessons learnt and enhancing public sector procurement capacity: SFT established and facilitates a Waste Procurement Forum to create the platform for local authorities to share best practice and lesson learnt. SFT is also running a series of contract and commercial workshops free of charge to local authorities. In addition, SFT has produced standard form documentation and guidance for local authority residual waste treatment projects to avoid unnecessary duplication of generic activities across similar projects. This has included amending DEFRA‟s standard form residual waste treatment contract to reflect Scots Law, and preparing guidance on the impact of draft regulations implementing key policies from the Scottish Government‟s Zero Waste Plan. SFT has also extended its programme support activities to the food waste sector – the benefits associated with this support are identified in A16.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The benefit quantified for 2009/10 remains unchanged • Benefit Recognised - £50,000 for six-month period • Confidence – High • Year of creation – 09/10 • Year of delivery – 09/10 **2009/10 & 2010/11 Benefit Quantification Realisation:** In addition to the work undertaken in 2009/10, SFT has throughout 20010/11 maintained its programme support activity for residual waste treatment projects. The value of the work undertaken in 2010/11 has been estimated on the same basis as that for 2009/10, namely by benchmarking against the cost of comparable commercial support available in other jurisdictions (e.g. DEFRA, the Welsh Assembly and SIB/DoE). Costs vary, but a benchmark of c.£1m pa for central and local support is reasonable. Programme support approximates to 10% of the total support provided, i.e. c.£100,000 pa. • Benefit Recognised: £50,000 + £100,000 = £150,000 • Confidence: High • Year of creation: 2009/10 & 2010/11 • Year of delivery: 2009/10 & 2010/11 **Total estimated benefit over 2009/10 & 2010/11 = £150,000.**

4. Sharing:	SFT: 100%
5. Confidence:	A – High (100%) – Benefit has already been delivered
6. Phasing:	2009/10: 33%, 2010/11: 67%

A5 – Waste – Procurement Cost Benefits – Avoided Support Costs

Benefit Ref:	A5
1. Title:	Waste – Infrastructure Development & Procurement Cost Benefits (Avoided Support Costs)
2. Description:	The basis for this benefit is help local authorities manage their waste procurements through making better use of standard documents and procures, sharing lessons learnt and making more efficient use of external advisers. SFT has undertaken a range of measures to help secure more cost-efficient procurements of waste infrastructure. Building on the work done during 2009/10, SFT has provided experienced waste procurement professionals to work alongside local authority project teams and attend project board meetings. During 2009/10, SFT provided direct hands-on support to three residual waste projects: Glasgow, Edinburgh/Midlothian and the Joint Ayrshire Residual Waste Project. During 2010/11 this support has been extended to include the Edinburgh/Midlothian food waste project and the Clyde Valley Strategic Waste Initiative. Assuming the Edinburgh/Midlothian residual and food waste initiatives count as one programme which benefit from the same support, in 2010/11 the number of projects receiving hands-on SFT support has increased from three to four. The benefit captured in A5 is the cost avoided by the Scottish Government and/or local authorities not having to procure comparable commercial support on a similar basis to that procured by DEFRA and the Welsh Assembly Government. The further consequential benefits of this support are captured separately under the following headings: A12 – Waste - Infrastructure Development & Procurement Cost Benefits (Avoided Abortive Costs) A13 – Waste – Procurement Timetable Benefits (Avoided Advisory Costs) A17 – Waste – Service Cost Benefits (Avoided Future Contract Variations) G1 – Waste – Procurement Timetable Benefits (Avoided Disposal Costs) G2 – Waste – Service Cost Benefits (Reduced Gate Fee)
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The benefit quantified for 2009/10 remains unchanged. To provide comparable commercial support, DEFRA and the Welsh Assembly Government have engaged external support at a cost of c. £1,800/day per person. This rate bench marks with the rate SFT has assumed in other benefits for comparable senior support to projects. Assuming an average level of support of 5 days per month per project equates to: 5 days per month*12 months*£1,800/day = £108,000 pa per project. 2009/10: 6 months work undertaken by SFT on 3 projects = £108,000*3*6/12 = £162,000. • Benefit Recognised: £162,000 for six-month period for three projects

	• Confidence: High • Year of creation: 2009/10 • Year of delivery: 2009/10 **2009/10 & 2010/11 Benefit Quantification Realisation:** The benefit quantified for 2010/11 is derived on the same basis (no allowance for inflation has been made). However the number of waste infrastructure initiatives being supported has increased to four. • Benefit Recognised: £162,000 + (4 projects* 60 days/project * £1,800/day = £432,000) = £594,000 • Confidence: High • Year of creation: 2009/10 & 2010/11 • Year of delivery: – 2009/10 & 2010/11 **Total estimated benefit over 2009/10 & 2010/11 = £594,000.**
4. Sharing:	SFT – 100%.
5. Confidence:	A – High (100%) – Benefit has already been delivered
6. Phasing:	2009/10: 33% 2010/11: 67%

A6 – ESA95 Consultancy Fees Avoided

Benefit Ref:	A6
1. Title:	ESA95 - Saved Consultancy Costs
2. Description:	The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to develop specialist guidance. SFT has deployed the skills of in-house staff for the development of guidance on the classification of new projects to be procured under the NPD Programme and the Hub Programme. This pertains to the position on risk transfer that is required in order to obtain a non government classification including what capital contributions can be made without disturbing this risk position. Without the in-house skills to carry out this work external consultants would have been deployed which would have been more expensive and would have meant that the knowledge and learning gained from carrying out the exercise would have been lost from the organisation.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** A benefit of £24,000 was recognised in 2009/10. There is no reason to revisit the quantification of this benefit. **2009/10 & 2010/11 Benefit Quantification Realisation:** Further work was carried out in this area during 2010/11 and a further saving of £29,250 is recognised during this period. This is based upon 2 days of Partner time at £2,250 per day and 12 days of a Technical Accountant‟s time at £2,062 per day. Combined with the 2009/10 benefit, this gives a cumulative total of £53,250 for the two year period.
4. Sharing:	100% attributable to SFT.
5. Confidence:	A – Certain
6. Phasing:	45% 2009/10, 55% 2010/11

A7 – TIF Consultancy Fees Avoided

<table>
<tr><th>Benefit Ref:</th><th>A7</th></tr>
<tr><td>1. Title:</td><td>TIF Consultancy Fees Avoided</td></tr>
<tr><td>2. Description:</td><td>The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to provide specialist input to this new financing initiative.

SFT has staff with deep technical skills and experience across the infrastructure sector and hence it can bring these skills to bear for the public sector.

These skills were deployed to further develop TIF in Scotland, concentrating on such as aspects as:
• The production of TIF standard guidance;
• Developing the mechanics of TIF;
• Determining the basis of project approval;
• Supporting three pilot projects in relation to the creation of TIF business cases;
• Establishing the basis of further pilot projects and related criteria for selection; and
• Liaison with public and private sector bodies interested in TIF.

Previously such assistance would have been supported by external advisors. Thus the work has been carried out by SFT, not just saving the cost of advisors, but also retaining knowledge for future benefit and demonstrating the ability of the public sector to deliver innovation.</td></tr>
<tr><td>3. Quantification:</td><td>2009/10 Benefit Quantification & Realisation:

£47,344 as per last year‟s benefit statement

2009/10 & 2010/11 Benefit Quantification Realisation:

= £47,344 (2009/2010) + £124,000 (2010/2011) = £174,469

The basis of the benefit is based upon consultancy fees being avoided in relation to the assignment. The calculation of the benefit delivered is based on estimates of time taken along with the charge out rates experienced from advisory firms.

<table>
<tr><th>Person</th><th>Days pw</th><th>Weeks</th><th>£ ph</th><th>Cost</th></tr>
<tr><td>Dir</td><td>2.5</td><td>5</td><td>£2,250</td><td>£ 28,125</td></tr>
<tr><td>AD</td><td>3</td><td>10</td><td>£1,800</td><td>£ 54,000</td></tr>
<tr><td>M</td><td>3</td><td>10</td><td>£1,500</td><td>£ 45,000</td></tr>
<tr><td></td><td></td><td></td><td>Total</td><td>£ 127,125</td></tr>
</table>
</td></tr>
<tr><td>4. Sharing:</td><td>100% SFT</td></tr>
<tr><td>5. Confidence:</td><td>A – High – Benefit has already been delivered. – 100%</td></tr>
<tr><td>6. Phasing</td><td>28% (2009/2010) / 72% (2010/2011)</td></tr>
</table>

A8 – NHT Consultancy Fees Avoided

Benefit Ref:	A8
1. Title:	NHT Consultancy Fees Avoided
2. Description:	The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to provide specialist input to this new financing initiative. SFT has staff with deep technical skills and experience across the infrastructure sector and hence it can bring these skills to bear for the public sector. These skills were deployed to further develop the NHT initiative and commence its procurement. SFT"s key role and responsibilities included: • The development of the procurement approach and supporting documentation; • The production of the NHT contractual suite; • Liaising with public and private stakeholders; • Determining value for money and affordability; • Evaluation of bids at various stages of the procurement to date; and • Supporting to Scottish Government in relation to the evolution and delivery of NHT. Previously such assistance would have been supported by external advisors. Thus the work has been carried out by SFT, not just saving the cost of advisors, but also retaining knowledge for future benefit and demonstrating the ability of the public sector to deliver innovation.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** £378,600 as per last year"s benefit statement. **2009/10 & 2010/11 Benefit Quantification Realisation:** = £378,600 (2009/2010) + £472,800 (2010/2011) = £851,400 The basis of the benefit is based upon consultancy fees being avoided in relation to the assignment. The calculation of the benefit delivered is based on estimates of time taken along with the charge out rates experienced from advisory firms.
4. Sharing:	100%
5. Confidence:	A – High – Benefit has already been delivered. – 100%
6. Phasing	44% (2009/2010) / 56% (2010/2011)

Person	Days per week	Months	£ p day	Cost
D	2	12	£1,800	£172,800
AD 1	2.5	6	£1,500	£90,000
AD 2	2.5	12	£1,200	£144,000
M	2.5	6	£1,100	£66,000
			Total	**£472,800**

A9 – URC Consultancy Fees Avoided

<table>
<tr><th>Benefit Ref:</th><th>A9</th></tr>
<tr><td>1. Title:</td><td>Advice to Scottish Government in relation to revised Urban Regeneration Company (“URC”) Business Plans 2010 – 2013</td></tr>
<tr><td>2. Description:</td><td>The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to provide specialist input and review of proposed urban regeneration initiatives.

SFT has staff with deep technical skills and experience across the infrastructure sector and hence it can bring these skills to bear for the public sector.

These skills were deployed to assist Scottish Government review the revised business plans (2010 – 2013) of four urban regeneration companies, concentrating on such as aspects as:
The basis of the business case;
The strengths and weaknesses of the submissions;
Areas for further clarification;
The level of Scottish Government support requested; and
The potential outputs going forward and outcomes to date.
Previously such assistance would have been provided by external advisors. Thus the work has been carried out by SFT, not just saving the cost of advisors, but also retaining knowledge for future benefit. This has negated the use of external advisors.</td></tr>
<tr><td>3. Quantification:</td><td>2009/10 Benefit Quantification & Realisation:

Nil

2009/10 & 2010/11 Benefit Quantification Realisation:

The basis of the benefit is based upon consultancy fees being avoided in relation to the assignment. The calculation of the benefit delivered is based on estimates of time taken along with the charge out rates experienced from advisory firms.

<table>
<tr><th>Person</th><th>Days per month</th><th>Month</th><th>£ p day</th><th>Cost</th></tr>
<tr><td>AD</td><td>9</td><td>1</td><td>£1,800</td><td>£16,200</td></tr>
<tr><td></td><td></td><td></td><td>Total</td><td>£16,200</td></tr>
</table></td></tr>
<tr><td>4. Sharing:</td><td>100%</td></tr>
<tr><td>5. Confidence:</td><td>A – High – Benefit has already been delivered. – 100%</td></tr>
<tr><td>6. Phasing</td><td>100% - 2010/2011</td></tr>
</table>

A10 – CMAL Consultancy Fees Avoided

<table>
<tr><th>Benefit Ref:</th><th>A10</th></tr>
<tr><td>1. Title:</td><td>CMAL Avoided Advisory Support Cost</td></tr>
<tr><td>2. Description:</td><td>The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of additional third parties to provide specialist review and challenge to future investment plans as well as making more efficient use of appointed advisers.

Caledonian Maritime Assets Limited (“CMAL”) is a company limited by shares with Scottish Ministers as the sole shareholder. It owns the majority of the ferries and many of the ports and harbours that are used to provide lifeline ferry services in the Clyde and Hebrides; the operator of these services is obliged to use the vessels owned by CMAL as a condition of their public services contract.

In early 2010 CMAL developed an investment programme for vessels and harbours that would require SG funding of some £813m in real terms over the period 2012 to 2027 and have also been assessing potential corporate structures and funding models to deliver this programme</td></tr>
<tr><td>3. Quantification:</td><td>2010/11 Benefit Quantification Realisation:

As part of the review and challenge process undertaken by the investment project Steering Group (of which SFT were a key member from early 2010), SFT has been working with SG, CMAL their advisors in developing and modelling investment options undertaking a diligence/challenge function as well as taken part and lead specific development work streams resulting in a saving on advisory costs. This resulted in the future investment plan being revised downwards by some £200m, whilst maintaining the equivalent provision of service. The avoided cost of having to buy-in this assurance/challenge function is as estimated below.
<table>
<tr><th>Grade</th><th>Typical Day Rate</th><th>Time Input</th><th>Cost</th></tr>
<tr><td>Partner (2 days pcm on ave)</td><td>£2000</td><td>24 days</td><td>£48,000</td></tr>
<tr><td>Director (3 days pcm on ave)</td><td>£1800</td><td>36 days</td><td>£64,800</td></tr>
<tr><td></td><td></td><td>TOTAL</td><td>£112,800</td></tr>
</table>
It is also reasonable to assume that SFT‟s input has realised more efficient of CMAL‟s external advisers. The working assumption is that the cost saved through more efficient use of external advisers is broadly comparable to the avoided cost of SFT‟s input. Therefore this benefit is estimated at £200k.

Total estimated benefit over 2009/10 & 20010/11 = £ 200,000.</td></tr>
<tr><td>4. Sharing:</td><td>50%</td></tr>
<tr><td>5. Confidence:</td><td>A – High – Benefit has already been delivered. – 100%</td></tr>
<tr><td>6. Phasing</td><td>100% in 2010/11</td></tr>
</table>

A11 – Collaborative Housing Consultancy Fees Avoided

<table>
<tr><th>Benefit Ref:</th><th>A11</th></tr>
<tr><td>1. Title:</td><td>Collaborative Housing</td></tr>
<tr><td>2. Description:</td><td>The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to provide specialist input to this new collaborative procurement initiative.

SFT has been working with four RSLs in the Tayside area to explore and develop a collaborative procurement model. SFT has facilitated workshops, developed guidance and standard form documentation, assisted in production of a business plan and consortium agreement as part the development of a collaborative procurement model resulting in reduced and avoided consultancy costs. SFT has also facilitated access to existing documentation used elsewhere that has saved the participating RSLs significant development costs.</td></tr>
<tr><td>3. Quantification:</td><td>2010/11 Benefit Quantification Realisation:

£149k based on facilitating a programme of five workshops and assisting business plan and document development alongside the client including the development of a consortium agreement.SFT has obtained rights to best practice documentation used elsewhere in the UK which has saved legal and development fees and SFT has additionally covered £10k of the materialised fees associated with customisation and obtaining bespoke VAT advice.

The derivation of this figure is given below.

<table>
<tr><th>Grade</th><th>Typical Day Rate</th><th>Time Input</th><th>Cost</th></tr>
<tr><td>Partner</td><td>£1500</td><td>10 days</td><td>£15,000</td></tr>
<tr><td>Director</td><td>£1100</td><td>95 days</td><td>£104,500</td></tr>
<tr><td></td><td></td><td>TOTAL</td><td>£119,500</td></tr>
</table>
Allowance for more efficient use of external advisers‟ time = £30,000 which includes the of cost of procuring VAT advice (£10,000)

Total estimated benefit over 2009/10 & 20010/11 = £ 149,000.</td></tr>
<tr><td>4. Sharing:</td><td>100%</td></tr>
<tr><td>5. Confidence:</td><td>A – High – Benefit has already been delivered. – 100%</td></tr>
<tr><td>6. Phasing</td><td>SFT work completed 2010/11.</td></tr>
</table>

A12 – Waste – Avoided Potential Abortive Advisory Costs

Benefit Ref:	A12
1. Title:	Waste – Infrastructure Development & Procurement Cost Benefits (Avoided Abortive Costs)
2. Description:	The basis for this benefit is avoiding the public sector incurring unnecessary costs in the relation to the provision of third support to a legacy residual waste project longer than necessary. SFT has undertaken a range of measures to help secure more cost efficient procurements of waste infrastructure. Building on the work done during 2009/10, SFT has provided experienced waste procurement professionals to work alongside local authority project teams and attend project board meetings. During 2009/10, SFT provided direct hands-on support to three residual waste projects: Glasgow, Edinburgh/Midlothian and the Joint Ayrshire Residual Waste Project. During 2010/11 this support has been extended to include the Edinburgh/Midlothian food waste project and the Clyde Valley Strategic Waste Initiative. Assuming the Edinburgh/Midlothian residual and food waste initiatives count as one programme which benefit from the same support, in 2010/11 the number of projects receiving hands-on SFT support has increased from three to four. The benefit captured in A12 reflects key interventions made by SFT in providing the above mentioned support which have led to possible abortive costs on the Joint Ayrshire Residual Waste Project being avoided. The additional avoided costs of providing such support are identified separately under benefit A5.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** N/A – No benefits were reported under this heading for 2009/10. **2009/10 & 2010/11 Benefit Quantification Realisation:** Ayrshire Joint Residual Waste Project – through its role on the Project Board and through providing hands-on support to the Project Team, SFT instigated an independent project review in June 2010 (prior to the issue of tender documents) to ensure that amongst other things the project objectives were still aligned with emerging Scottish waste policy. This contributed to the decision of the Authorities to terminate the original procurement. Without this intervention work may have continued for a further six months on the original procurement until the Scottish Government's Zero Waste Plan consultation was launched in December 2010. Avoided abortive costs are estimated as follows: 2 Technical Advisers @ £500/day, 2 Financial Advisers @ £1,500/day, 1.5 Legal Advisers @ £1,000/day = £5,500/day. Assume 25% utilisation over a 6-month period: £5,500/day*112 days * 25% = £154,000. **Total estimated benefit over 2009/10 & 2010/11 = £ 154,000**.
4. Sharing:	SFT – 50%. Local Authorities – 50%
5. Confidence:	A – High (100%) – Benefit has already been delivered
6. Phasing:	2009/10: N/A, 2010/11: 100%

A13 – Waste – Avoided Advisory Costs – Other than Clyde Valley

Benefit Ref:	A13
1. Title:	Waste – Procurement Timetable Benefits (Avoided Advisory Costs) – GCC residual, CEC/MLC residual, Ayrshires residual &CEC/MLC food waste projects
2. Description:	The basis for this benefit is avoiding the public sector incurring larger than necessary procurement costs through helping reduce the risk of delay to the procurement timetable, through providing specialist input free of charge and helping make more efficient use of appointed third party advisers. SFT has undertaken a range of measures to promote accelerated project delivery and help reduce the risk of delays to project commencement. This has included project validation at key milestones and promoting market stakeholder consultation to identify promptly any potential sources of delay to projects. The benefit identified here is the avoided advisory costs associated with an accelerated procurement timetable. The avoided disposal costs associated with the reduced risk of delay procurement timetable are identified separately in G1.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** N/A – No benefits were reported under this heading for 2009/10. **2009/10 & 2010/11 Benefit Quantification Realisation:** Since the 2009/10 Statement of Benefits, matters out with the control of local authorities and SFT (primarily the development of Scottish waste policy and regulation) have caused one of the three projects being supported by SFT during 2009/10 (GCC residual, CEC/MLC residual, Ayrshires residual) to stop and start afresh and the other two to revisit their planned service commencement dates and procurement timetables. During 2010/11, SFT has also supported the CEC/MLC Joint Food Waste Project and the Clyde Valley Joint Residual Waste Project. The Clyde Valley Project benefits are reported separately (see A14, A15, G3). Assume that without the range of interventions and project support from SFT the overall procurement timetable for the above projects (excluding Clyde Valley) on average could be up to 6 months longer than necessary. Advisory costs over such a 6-month period would therefore be avoided. Assume 2 x Technical Advisers @ £500/day, 2 x Legal Advisers @ £1,500/day, 1.5 x Financial Advisers @ £1,000/day, all at an average utilisation of 25% over the 6-month period (112 working days). The avoided advisory cost per project is therefore 112 days x £5,500/day x 25% utilisation = £154,000. The phasing for these avoided advisory costs is set out below.

<table>
<tr><td></td><td>
<table>
<tr><td></td><td>GCC (Residual)</td><td>CEC/MLC (Residual)</td><td>Ayrshire (Residual)</td><td>CEC/MLC (Food)</td></tr>
<tr><td>Benefit</td><td>£154k</td><td>£154k</td><td>£154k</td><td>£154k</td></tr>
<tr><td>Years of creation</td><td>2009/10 to 2011/12</td><td>2009/10 to 2012/13</td><td>2009/10 to 2012/13</td><td>2010/11 to 2011/12</td></tr>
<tr><td>Years of delivery</td><td>2011/12</td><td>2014/15</td><td>2014/15</td><td>2013/14</td></tr>
</table>

Total estimated benefit over 2009/10 & 2010/11 (prior to phasing adjustment) = 4 x £154k = £616k.
</td></tr>
<tr><td>4. Sharing:</td><td>SFT – 50%, local authorities – 50%</td></tr>
<tr><td>5. Confidence:</td><td>C – Good – Plans are in place to deliver - 75%</td></tr>
<tr><td>6. Phasing:</td><td>20% attributable to 2009/10
30% attributable to 2010/11
30% attributable to 2011/12
20% attributable to 2012/13</td></tr>
</table>

A14 – Avoided Advisory Costs – Clyde Valley

<table>
<tr><th>Benefit Ref:</th><th>A14</th></tr>
<tr><td>1. Title:</td><td>Waste – Procurement Timetable Benefits (Avoided Advisory Costs) – Clyde Valley residual waste project</td></tr>
<tr><td>2. Description:</td><td>The basis for this benefit is avoiding the public sector incurring larger than necessary procurement costs through helping reduce the risk of delay to the procurement timetable, through providing specialist input free of charge and helping make more efficient use of appointed third party advisers.

SFT has undertaken a range of measures to promote accelerated project delivery and help reduce the risk of delays to project commencement. This has included project validation at key milestones and promoting market stakeholder consultation to identify promptly any potential sources of delay to projects.

The benefit identified here is the avoided advisory costs associated with a reduced risk of delay to the procurement timetable. The avoided disposal costs associated with the reduced risk of delay to the procurement timetable are identified separately in A15.</td></tr>
<tr><td>3. Quantification:</td><td>2009/10 Benefit Quantification & Realisation:

N/A – No benefits were reported under this heading for 2009/10.

2009/10 & 2010/11 Benefit Quantification Realisation:

During 2010/11, SFT commenced support to the Clyde Valley Joint Residual Waste Project. Assume that without the range of interventions and project support from SFT the overall procurement timetable for the project could be up to 6 months longer than necessary. Advisory costs over this 6-month period are therefore avoided.

Assume 2 x Technical Advisers @ £500/day, 2 x Legal Advisers @ £1,000/day, 1.5 x Financial Advisers @ £1,500/day, all at an average utilisation of 25% over the 6-month period (112 working days).

The avoided advisory cost is therefore 112 days x £5,500/day x 25% utilisation = £154,000.

The phasing for these avoided advisory costs is set out below.

<table>
<tr><td>Benefit</td><td>£154k</td></tr>
<tr><td>Years of creation</td><td>2010/11 to 2012/13</td></tr>
<tr><td>Years of delivery</td><td>2014/15</td></tr>
</table>
Total estimated benefit over 2009/10 & 2010/11 (prior to phasing adjustment) = £154k.</td></tr>
<tr><td>4. Sharing:</td><td>SFT – 33.3%, local authorities – 33.3%, Zero Waste Scotland 33.3%</td></tr>
<tr><td>5. Confidence:</td><td>D – Moderate – discussions are ongoing to put plans in place - 55%</td></tr>
<tr><td>6. Phasing:</td><td>33.3% attributable to 2010/11, 33.3% attributable to 2011/12, 33.3% attributable to 2012/13</td></tr>
</table>

A15 – Avoided Disposal Costs – Clyde Valley

<table>
<tr><th>Benefit Ref:</th><th>A15</th></tr>
<tr><td>1. Title:</td><td>Waste – Procurement Timetable Benefits (Avoided Disposal Costs) – Clyde Valley residual waste project</td></tr>
<tr><td>2. Description:</td><td>The basis for this benefit is avoiding the public sector incurring larger than necessary waste disposal costs through helping reduce the risk of delay to the procurement timetable.

SFT has undertaken a range of measures to promote accelerated project delivery and help reduce the risk of delays to project commencement. This has included project validation at key milestones and promoting market stakeholder consultation to identify promptly any potential sources of delay to projects.

The benefit identified here is the avoided disposal costs associated with a reduced risk of delay to the procurement timetable. The avoided advisory costs associated with the reduced risk of delay to the procurement timetable are identified separately in A14.</td></tr>
<tr><td>3. Quantification:</td><td>2009/10 Benefit Quantification & Realisation:

N/A – No benefits were reported under this heading for 2009/10.

2009/10 & 2010/11 Benefit Quantification Realisation:

During 2010/11, SFT commenced supporting the Clyde Valley Joint Residual Waste Project. Assume that without the range of interventions and project support from SFT the overall procurement timetable for the project could be up to 6 months longer than necessary. To estimate the cost saving of waste treatment over „business as usual“ (the waste disposal costs that would otherwise be incurred, i.e. landfill gate fee plus landfill tax) a saving of £3.50/t has been assumed.

This figure is based on the most recent WRAP Gate Fee Report, and represents the summation of the mid-point for landfill in Scotland (£26/t) plus landfill tax at contract award (£80/t) and subtracting the current market estimate for incineration (£102.5/t) = £3.50/t

The Clyde Valley residual waste project is likely to result in the procurement of c.150,000 tpa of residual waste treatment capacity. The tonnage and the timing are likely to be very similar to that of the joint CEC/MLC residual waste project; therefore the same procurement timetable benefit has been assumed.

Avoided disposal costs: £3.50/t * 150,000t/yr * 0.5yrs = £262.5k

The phasing for these avoided disposal costs is set out below.

<table>
<tr><td></td><td>Clyde Valley</td></tr>
<tr><td>Benefit</td><td>£262.5k</td></tr>
<tr><td>Years of creation</td><td>2010/11 to 20012/13</td></tr>
<tr><td>Years of delivery</td><td>2017/18</td></tr>
</table>
Total estimated benefit over 2009/10 to 2010/11 (prior to phasing) = £262.5k</td></tr>
</table>

4. Sharing:	SFT, local authorities and Zero Waste Scotland – 33.3% each.
5. Confidence:	D – Moderate – Discussions on going to put plans in place – 55%.
6. Phasing:	33.3% 2010/11, 33.3% 2011/12, 33.3% 2012/13.

A16 – Food Treatment Support

Benefit Ref:	A16
1. Title:	Waste – Food Waste Treatment Programme Support
2. Description:	The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to provide specialist input to this set up and management of this programme for the provision of new waste treatment facilities. During 2010/11, SFT extended its programme support activities to the food waste sector. SFT has worked with the Scottish Government and Zero Waste Scotland to set up programme support and management arrangements for local authority food waste treatment needs in order to assist local authorities to align their service needs with the Scottish Government policy requirement to collect and treat food waste separately from 2013. Support activities have also included producing template outline business case documentation. Using such templates encourages local authorities to evaluate thoroughly the available options, which results in more informed decision-making and drives value-for-money.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** N/A – No benefits were reported under this heading for 2009/10 **2009/10 & 2010/11 Benefit Quantification Realisation:** The value of the work undertaken in 2010/11 has been estimated based on the avoided costs of procuring comparable commercial support. Assume 2 days/month average utilisation over 2010/11, at a cost of £1,000 per day. Benefit recognised: 2 days/month x 12 months x £1,000 / day = £24,000. • Confidence: High • Year of creation: 2010/11 • Year of delivery: 2010/11 **Total estimated benefit over 2009/10 & 2010/11 = £24,000.**
4. Sharing:	2009/10- N/A 2010/11- 50% attributed to each of SFT & Zero Waste Scotland.
5. Confidence:	A – High (100%) – Benefit has already been delivered
6. Phasing:	2009/10: N//A 2010/11: 100%

A17 – Avoided Future Contract Variations

Benefit Ref:	A17
1. Title:	Waste – Service Cost Benefits (Avoided Future Contract Variations)
2. Description:	The basis for this benefit is reducing the risk of one or more of the planned local authority waste treatment projects procuring a service that is subject to a major contract variation in the early years of service delivery. SFT has undertaken a range of measures to help secure affordable and value-for-money gate fees for both residual and food waste treatment projects. For operational and financial reasons some waste infrastructure projects have needed to be procured in parallel with the Scottish Government developing its long-term waste policy and SEPA developing revised regulations and guidance to implement the Scottish Government"s policy objectives (contained in the Zero Waste Plan). SFT has provided a key role in ensuring that current and future projects are kept fully informed of policy and regulatory developments to ensure that the final solutions and associated contract terms realise a service that is aligned to Scottish Government policy and future regulations. Should SFT not have undertaken this role, there is a risk that at one or more of the five waste infrastructure projects that SFT is supporting may have had to incur a material contract variation early in the contract term. Having to retrofit an existing facility in a non-competitive environment is likely to be significantly more expensive than resolving the matter during the procurement period when there is still a competitive environment and before construction has commenced.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** N/A **2009/10 & 2010/11 Benefit Quantification Realisation:** For the purpose of valuing this benefit, assume that at least one of the five waste infrastructure initiatives that SFT is supporting would have had to incur a contract variation that involved retrofitting an existing facility at an extra over cost of say £5m. Assume that this £5m is financed by additional debt, repayable at 7% over 20 years, with repayments commencing in 2017. This is equivalent to a c.£470k/yr (c.3%) increase in the annual service charge for the project. Years of creation: 2009/10 to 2011/12. **Total estimated benefit (commencing in 17/18) = £470k/yr x 20 years = £9.4m.**
4. Sharing:	SFT – 50%, local authorities – 50%
5. Confidence:	D – Moderate (55%) – Discussions on going to put plans in place
6. Phasing:	33.3% for each year 09/10, 10/11, 11/12.

A18 – Avoided Consultancy Costs – NPD Contract

Benefit Ref:	A18
1. Title:	NPD Contract Simplification – Saving in Consultancy Cost
2. Description:	The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to provide specialist input to the development of an improved standard form contract relating future revenue funded projects. SFT has developed the standard DBFM contract for use in the hub programme and NPD programme in order to simplify the contracts and to re-assess the optimum risk transfer between the public and private sector. This benefit relates to the avoided cost of having to appoint external consultants to undertake this work. The consequential benefits for developing this standard form contract are captured in benefits C6, C7 and C8.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** Not applicable **2009/10 & 2010/11 Benefit Quantification Realisation:** We have estimated that the contract development, if external consultants had been employed, would have cost £74k. This is made up of 35 days of a Partner‟s time at £1,200 per day, 20 days of an Associates time at £1,000 per day and 15 days of an Assistant‟s time at £800 per day.
4. Sharing:	100% attributable to SFT.
5. Confidence:	A – High
6. Phasing	100% in 2010/11

A19 – hub – Consultancy Costs Avoided

Benefit Ref:	A19
1. Title:	hub - consultancy costs avoided
2. Description:	The basis for this benefit is reducing the costs to the public sector in the relation to the appointment of third parties to provide specialist support to hub territories through the creation of a more "commoditised" support requirement. Procurement of a private sector development partner for each hub territory incurs advisor fees relating to: Technical; Financial & Legal advice. Following establishment of hubcos in the SE & North Territories, contracts for advisors to support the West and East Central territories have been competitively tendered resulting in significant savings based on fixed price bids. These savings have been in part due to the work of the hub Programme Office which has developed a procurement model which is now well understood by the market of professional advisers. This coupled with production of standard documentation and procedures have resulted in much more efficient use of external professional advisers in the set up hubcos. The hub PDO has supported the Territories by producing clearly defined and specific service specifications for consultancy services and advising and supporting them on the most appropriate procurement route. PDO staff has also assisted the territories during the evaluation of tenders.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** N/A **2009/10 & 2010/11 Benefit Quantification Realisation:** The average saving for East Central and the West based on out turn costs for the North is £221k x 2 = £442k This will all be realised during 2011/12
4. Sharing:	This benefit is shared 33.3% between SFT, NHS and Local Authorities.
5. Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
6. Phasing	Work undertaken to deliver benefit was all undertaken within 2010/11

A20 – hub performance management – avoided costs

Benefit Ref:	A20
1. Title:	Hub Performance Management – Avoided Costs
2. Description:	The basis for this benefit is reducing the cost to the public sector incurring costs in the relation to the performance management of future hub companies. Each hubco is required to meet targets set by specific Key Performance Indicators and. These will be monitored by the Territory Partnering Board with SFT maintaining an overview of hubco performance across the five hub areas as they evolve.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** N/A **2009/10 & 2010/11 Benefit Quantification Realisation:** Construction Skills Scotland (CSS) are partnering with SFT, hubco"s and the territories to monitor performance with regard to training and employment KPIs. This has been expanded to cover the whole range of KPIs (>40). This is at no cost to SFT, hubco or Participants. The funding application for SE Hub has been submitted and CSS are in the process of uploading all the KPI data into their SPONSA software system which enables monitoring of data. It is this will commence in operation in 2011/12. The annual running costs of using the CSS system are a user license of £2,400 which totals £7,200 over three years. The running costs of an alternative system for which quotes were received is £121,000 over three years. Therefore the net benefit =£113,800. In addition, CSS are going to provide funding (subject to their internal approval process) of £30k per hubco for three years to set up the system and data input. £30k x 5 x3 = £450k.
4. Sharing:	50% SFT 50% CSS
5. Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
6. Phasing	Work to deliver benefits was undertaken in 2010/11 and benefit will be delivered over next three financial years.

A21 – Asset Management – Avoided Cost of Pilot Development Work

<table>
<tr><th>Benefit Ref:</th><th>A21</th></tr>
<tr><td>1. Title:</td><td>Asset Management – Avoided Cost of Pilot / Strategic Business Case Work.</td></tr>
<tr><td>2. Description:</td><td>The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to provide specialist input to the development of this new initiative.

In July 2010 the Scottish Government‟s Independent Budget Review panel reported: “The Panel suggests that the Scottish Government should consider developing the role of the Scottish Futures Trust to establish a centre of expertise in the ownership, management and disposal of public assets. This would operate as a source of independent advice for all public bodies and ensure maximum value for the public purse”.

Since July 2010 SFT has undertaken extensive work to establish the asset management models, systems and procedures that would be best suited to different sectors and asset types so as to provide a firm platform to launch the asset management pilot with the SE hub territory in 2011/12.</td></tr>
<tr><td>3. Quantification:</td><td>2009/10 Benefit Quantification & Realisation:

N/A – No benefits were reported under this heading for 2009/10.

2009/10 & 2010/11 Benefit Quantification Realisation:

SFT established a small taskforce comprising SFT personnel, secondees and external advisers. All of these costs were met from SFT‟s budget. The cost of the bought in services were £80k. This work was procured, managed and directed by SFT.

<table>
<tr><th>Person</th><th>Days</th><th>£ per day</th><th>Cost</th></tr>
<tr><td>Director</td><td>30</td><td>£1,800</td><td>£54,000</td></tr>
<tr><td>Bought-in</td><td></td><td></td><td>£80,000</td></tr>
<tr><td></td><td></td><td>Total</td><td>£134,000</td></tr>
</table>

Total estimated benefit in 2010/11 = £134k</td></tr>
<tr><td>4. Sharing:</td><td>100% SFT.</td></tr>
<tr><td>5. Confidence:</td><td>A – High – Benefit has already been delivered. – 100%</td></tr>
<tr><td>6. Phasing:</td><td>The creation of this benefit will be attributed 100% to 10/11.</td></tr>
</table>

A22 – Optimism Bias & Contingency Management Review –Development Work

<table>
<tr><th>Benefit Ref:</th><th>A22</th></tr>
<tr><td>1. Title:</td><td>Optimism Bias And Contingency Management Review –Cost avoided</td></tr>
<tr><td>2. Description:</td><td>The basis for this benefit is avoiding the public sector incurring costs in the relation to the appointment of third parties to provide specialist input to this development work.

As part of the Draft Budget 2011-2012, Scottish Government tasked SFT with investigating and developing approaches to the application and management of Optimism Bias (OB) and contingency in relation to project budgets. This followed on from the budget recasting exercise carried out by SFT in Q3 2010 and the Cost Review report issued by Infrastructure UK in December 2010, which highlighted that by rethinking how OB and contingency management allowances are included and managed in project budgets, considerable savings could be made.

Since January 2011, SFT has undertaken extensive technical, financial and commercial work to assess the potential approaches to address these issues that could provide the basis for implementation across the capital investment programme in Scotland.</td></tr>
<tr><td>3. Quantification:</td><td>2009/10 Benefit Quantification Realisation:

N/A – no benefits were reported under this heading for 2009/10.

2009/10 & 2010/11 Benefit Quantification Realisation:

SFT established a small task force comprising SFT personnel, secondees and external advisers. All of these costs were met from SFT"s budget. An estimate of the cost of undertaking this work should it have been delivered solely by third party advisers is estimated below.

<table>
<tr><td>Person</td><td>Days pm</td><td>Months</td><td>£ p day</td><td>Cost</td></tr>
<tr><td>Director</td><td>5</td><td>4</td><td>£1,500</td><td>£30,000</td></tr>
<tr><td>AD/Senior Associate</td><td>10</td><td>4</td><td>£1,000</td><td>£40,000</td></tr>
<tr><td>Manager</td><td>15</td><td>4</td><td>£500</td><td>£30,000</td></tr>
<tr><td></td><td></td><td></td><td></td><td>£100,000</td></tr>
</table>
</td></tr>
<tr><td>4. Sharing:</td><td>This saving is 100% attributable to SFT.</td></tr>
<tr><td>5. Confidence:</td><td>A – High - Benefit has been delivered. – 100%</td></tr>
<tr><td>6. Phasing</td><td>50% of the work has taken place in 2010/2011 and the remaining 50% will be carried out in 2011/2012</td></tr>
</table>

B1 – TIF – Development of Model

Benefit Ref:	B1
1. Title:	TIF – Development of Model
2. Description:	The basis for this benefit is the creation of additional investment which, but for the creation of this a new initiative, would have been unlikely to happen. SFT worked throughout 2009-2011 to develop the TIF model for Scotland, working closely with Scottish Government and the three TIF pilot projects: Edinburgh Waterfront (City of Edinburgh Council ("CEC")); Buchanan Quarter (Glasgow City Council ("GCC")) and Ravenscraig (North Lanarkshire Council ("NLC")), to shape and deliver TIF. It is forecast that these first three pilot projects will bring forward c.£246 million of public sector investment and further unlock more than £1.5bn of private sector investment which, but for the development and implementation of the TIF model it is unlikely that this additional investment would have happened. During this period, supporting legislation was passed for up to six TIF pilot projects to be developed across Scotland. Consequently SFT is in dialogue with further Local Authorities to identify projects to be considered as the remaining three pilots. SFT's key role in TIF is to: • Develop and deliver the TIF structure for Scotland; • provide guidance for key partners and stakeholders, and ultimately create a model that can deliver across Scotland • Work with Local Authorities and other interested parties, to explain the TIF structure and help them bring forward appropriate projects; • Support local authorities in their TIF endeavours and assess Business Cases; • undertake a diligence role to ensure that projects are ready to proceed, and that key public sector investors understand the risks associated with TIF and how they can be addressed; and • Ultimately recommend projects, as appropriate, to the Scottish Government. As TIF moves into operation, SFT will finalise and document the operational model and detailed agreement between Government and the Local Authority. SFT will also have a long term involvement in TIF project through the governance arrangements. This will allow SFT to draw upon the lessons learned for future proposals, as well as bring our commercial capability and understanding to bear for the benefit of the project in the future.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The base case benefit is built upon the detail included within the three business cases developed to date for the pilot projects in Edinburgh, Glasgow and North Lanarkshire. The public sector capital values of the projects are as estimated as follows:

	Edinburgh £84.1m Glasgow £83.5m Ravenscraig (North Lanarkshire) £78.0m Total £245.6m Benefits have been profiled based upon the information contained in the supporting business cases relating to the public sector enabling infrastructure spend. This spend is expected to be delivered between 2011/12 and 2019/20. The above quantification differs to the 2009/2010 sum as greater information is now available through the development of the supporting business cases in terms of the likely assets being brought forward and the related capital spend. Noted below is the forecast annual public sector capital expenditure for the current pilot projects: • 2011/12: £14.5m • 2012/13: £19.1m • 2013/14: £49.0m • 2014/15: £73.2m • 2015/16: £24.2m • 2016/17: £13.3m • 2017/18: £31.9m • 2018/19: £19.1m • 2019/2020: £1.3m • Total: £245.6m **2009/10 & 2010/11 Benefit Quantification Realisation:** Equal to 2009/10 figure – additional activity will be realised as deliver further pilots.
4. Sharing:	33% SFT. Other parties involved: Local authorities and Scottish Government.
5. Confidence:	C – Good - Plans are in place to deliver the benefit but some third party commitment remains outstanding and/or significant stages remain outstanding to deliver the anticipated benefit. – 75%
6. Phasing	2009/2010 – 50% 2010/2011 – 30% 2011/2012 – 20%

B2 – NHT – Development of Model

Benefit Ref:	B2
1. Title:	NHT – Development of Model
2. Description:	The basis for this benefit is the creation of additional investment which, but for the creation of this a new initiative, would have been unlikely to happen. SFT is working with the Scottish Government and a number of local authorities in a challenging financial climate on the implementation of the National Housing Trust ("NHT"). The NHT initiative seeks to deliver affordable housing for rent in areas where there is a shortage of appropriate accommodation, through the public and private sectors working in partnership. The forecasts of the capital value of NHT is £102m which, but for the development and implementation of the NHT model it is unlikely that this additional investment would have happened in the current economic climate. The NHT initiative has also been a catalyst for wider discussions in the housing market relating to the delivery of affordable housing. The SFT project team, alongside the Scottish Government and the local authorities, has been responsible for developing the model and devising the procurement strategy to ensure the model is attractive to both the private and public sectors and as such is deliverable. SFT"s activities have included: • Developing business case and the NHT model, providing though leadership, and leading on delivery across Scotland by acting as • Leading the developing of all the tender and contract documents and liaising with both local authorities and suppliers/developers to get both groups comfortable with this new initiative; • Receiving bids, undertaking the evaluation of bids and recommending short-lists to local authority partners for approval; • Working with Scottish Government, local authorities and the private sector to maintain their support for this new initiative. SFT will also have a long term involvement in the governance of NHT initiative. This will allow SFT to draw upon the lessons learned for future proposals, as well as bring our commercial capability and understanding to bear for the benefit of the project in the future. The first phase of NHT was formally launched in September 2010 and is scheduled to complete in spring 2011.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** Last year the base case benefit is built upon the detail included within the bids received to date as part of the procurement of NHT. This forecasts the capital value of NHT as £102m (vs. £136m as detailed in the 2009/2010 benefits statement). The 2009/2010 level was based upon information available during the initial stages of the NHT procurement, and subsequent detail has allowed this to be re-visited. The NHT spend is expected to be delivered between 2011/12 and 2012/13 on the following bases:

	2011/12: £4m, 2012/2013: £98m. **2009/10 & 2010/11 Benefit Quantification Realisation:** Equal to 2009 figure – However, the current expected programme over which this additional £102m of investment will be delivered is on the following basis: 2011/12: £4m 2012/2013: £98m
4. Sharing:	33% SFT. Other parties involved: Local authorities and Scottish Government.
5. Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed %
6. Phasing:	2009/2010 – 20% 2010/2011 – 60% 2011/2012 – 20%

C1 – Western Isles and Orkney Schools Projects – Finance Structure

Benefit Ref:	C1
1. Title:	Western Isles and Orkney Schools Projects – Finance Structure
2. Description:	The basis for this benefit is the undertaking of review of the project funding arrangements between local authorities and the Scottish Government to ensure sufficient funding and budget cover for these projects. SFT undertook a Key Stage Review (KSR) of the Western Isles „Hybrid" Schools procurement project prior to Financial Close. This project had been in development since 2002 and procurement since June 2006. With the Orkney Islands schools project it represented a structural innovation in infrastructure procurement to undertake the construction and some maintenance of the facilities through a wholly Council owned Special Purpose Company, as opposed to a privately owned company, as is the case in PPP and NPD structures. The KSR undertaken showed sound progress in the procurement but revealed a technical budgeting issue with the flow of funds between Government and the Local Authority inherent in the proposed financial structure. Under HM Treasury rules the transaction would have been classified as supported borrowing, requiring the capital value of the project to be scored against the Scottish Government"s capital budget. SFT worked with Scottish Government to resolve this issue both in terms of preserving the value of support for the project and alignment with Scottish Government budgets.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** £60m capital value of Western Isles project, requiring £2.22m revenue support per annum for 30 years. £50m capital value of Orkney project requiring £2.08m of revenue support per annum of 30 years. Revenue budget cost to Scottish Government of £4.3m per annum for thirty years operational period avoided through revised funds flow arrangements. **2009/10 & 2010/11 Benefit Quantification Realisation:** Work was completed in 2010/11 to realise the full benefit identified in 2009/10 – therefore the 80% that was allocated to 2010/11 remains in place. The cumulative benefit was £4.3m per annum for 30 years.
4. Sharing:	50% attributable to SFT.
5. Confidence:	A – Certain
6. Phasing	20% 2009/10 80% 2010/11

C2 – Borders Rail – Lower Financing Costs (Nil Benefit)

Benefit Ref:	C2
1. Title:	Borders Rail - Lower Financing Costs
2. Description:	The basis for this benefit is the creation of a financing structure that could lead to a lower cost of borrowing. SFT is working with Transport Scotland to bring robust due diligence and progressive assurance to the Borders Rail project. The £235- 295m million (2012 prices) Borders Rail project is in dialogue with two bidders; SFT sits on the Project Board and Commercial Group. We had been discussing a financial guarantee with Transport Scotland to reduce the cost of capital for the project, but this is not being pursued on this project.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** **Standard PPP / NPD** **Funding** / **Proportion** / **Cost** / **WACC** Sub-debt 10% 13.0% 1.3% Debt 90% 6.10% 5.5% 100% 6.8% Project Value* 275 m Period: 25 years Annuity £23.15 m per year 20 year LIBOR: 4.00 % Margin: 210 basis points All in: 6.1 % * - estimate based on mid-point capital cost of £250m plus development costs and construction interest **Guaranteed Structure with reduced Equity IRR** **Funding** / **Proportion** / **Cost** / **WACC** Sub-debt 10% 11.5% 1.2% Debt 90% 5.44% 4.9% 100% 6.0% Project Value 275 m Period: 25 years Annuity £21.61 m per year 20 year LIBOR: 4.00 % Guaranteed proportion 55 % Margin (guaranteed) 90 basis points Margin (at risk) 210 basis points All in: 5.44 % WACC Reduction 0.74% Annual Saving: £1.55 m per year in the operational phase **2009/10 & 2010/11 Benefit Quantification Realisation:** It has been 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, which will in itself provide a reduction in the cost of funding and therefore reduce the value of any guarantee. It would also make the inclusion of a guarantee more complicated. Therefore the cumulative benefit to be recognised across 2009/10 and 2010/11 has been revised downwards to zero. The reduction in the sub debt return is still being pursued, but this is not felt to be sufficiently substantial on its own to be recognised as a separate benefit.
4. Sharing:	50%
5. Confidence:	A – Certain

6. Phasing	Not applicable

C3 – Borders Rail – Competition

Benefit Ref:	C3
1. Title:	Borders Rail - Competition
2. Description:	The basis for this benefit is the creation of a contract and financing structure that is more likely to ensure effective competition. SFT is working with Transport Scotland to bring robust due diligence and progressive assurance to the Borders Rail project. The £235- 295m million (2012 prices) Borders Rail project is in dialogue with two bidders; SFT sits on the Project Board and Commercial Group. The NPD structure had previously only been used for accommodation projects. Early market testing by Transport Scotland suggested that for the transport infrastructure sector where the bidding company population is more international, there were technical elements which did not affect the key NPD features, but made it significantly unattractive to bidders in comparison to projects in other jurisdictions. There was a serious concern that there could be a diminution of value for money through lack of competition. SFT has developed and implemented a technical change to NPD provisions to make it more appropriate to the transport sector. Three strong potential bidders were gained for the project through these actions, although one of these bidders subsequently withdrew for reasons unconnected with the NPD provisions. This withdrawal only serves to reinforce the benefit of attracting three strong bidders initially, as it means that a competitive position is retained between the remaining two bidders.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The benefit over the life of the project driven by this competition is calculated conservatively as 5% of total capital cost and ongoing annual operation and maintenance costs. Work by the Competition Commission and others including the utilities regulators indicates that the value of strong competition can be significantly greater than the 5% figure used in this calculation: Competition Commission: *"The consequences of [competition] are that prices will typically be bid down to an efficient level of cost"..... "in 2000 the Competition Commission in the UK found that new car prices were 10% too high*" http://www.competition-commission.org.uk/our_peop/members/chair_speeches/pdf/geroski_uea_140904.pdf Capital Cost 5% reduction leading to annual unitary charge reduction of approx: £1.15m p.a. for 30 years Operating Cost reduction leading to annual unitary charge reduction of approx: £0.25m p.a. for 30 years **TOTAL** **£1.3m p.a. for 30 years (rounded)**

	2009/10 & 2010/11 Benefit Quantification Realisation: No further benefit has been recognised in 2010/11, but the benefit from work carried out in 2009/10 remains. Therefore the cumulative benefit is the same as that for 2009/10 - £1.3m per annum for 30 years (rounded down).
4. Sharing:	50%
5. Confidence:	C – Good
6. Phasing	100% 2009/10

C4 – Orkney Schools Project – Business Case Diligence

Benefit Ref:	C4
1. Title:	Orkney Schools Project – Revenue Support saving
2. Description:	The basis for this benefit is the undertaking of review of the project business case to ensure the project funding arrangements between local authorities and the Scottish Government are correctly determined. Working with Scottish Government and carrying out diligence on their behalf SFT, as part of its normal pre-financial close review of the Final Business Case and final award claim for legacy schools projects, identified that Orkney Council had overstated the amount of annual revenue support required.
3. Quantification:	**2010/11 Benefit Quantification Realisation:** The Council‟s RSG claim was overstated by £124k per annum which, had it been accepted, would have amounted to SG paying an additional £3.472m in total over the 28 year grant award period.
4. Sharing:	Scottish Government 50%, SFT 50%
5. Confidence:	A – Certain – Benefit has already been delivered. – 100%
6. Phasing	RSG will be payable from 2013/14 onward till 2040/41 (28 years) so the benefit attributable to SFT has also been profiled over the same period.

C5 – RHSC/DCN Procurement Strategy and Increased Competition

Benefit Ref:	C5
1. Title:	Royal Hospital for Sick Children and Division of Clinical Neurosciences Project – Increased Competition
2. Description:	The basis for this benefit is the undertaking of review of the project procurement strategy to that the future procurement is more likely to realise ensure effective competition. SFT worked with the combined RHSC and DCN NPD project team to review the procurement law and value for money aspects of alternative approaches to procurement. This included a joint venture with the existing PPP operator on site and / or the splitting of the project into two such that the DCN element was procured as a variation to the existing contract. Following this work a standalone NPD project for a combine facility was chosen. A standalone NPD contract is expected to bring increased competitive tension to the procurement of this large accommodation project and should reduce the construction costs, hard FM and lifecycle figures by at least 5%. (Please ref to Benefit C3 for supporting information on this 5% figure). Further work will be required in order to ensure that a competitive process is maintained.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** Not applicable **2009/10 & 2010/11 Benefit Quantification Realisation:** The benefit has been calculated by calculating 5% of the capital costs (estimated at £150m) and 5% of the expected hard FM and lifecycle costs (estimated at £2.5m per annum) and translating these savings into a unitary charge saving of £800k per annum. The cumulative undiscounted impact of this saving across the project life is £4.9m.
4. Sharing:	50% attributable to SFT.
5. Confidence:	C – Good
6. Phasing:	25% - 2010/11 50% - 2011/12 25% - 2012/13

C6 – NPD Contract – Saved Procurement Time

Benefit Ref:	C6
1. Title:	NPD Contract – Saving in Procurement Time
2. Description:	The basis for this benefit is the production of standard form documents to reduce procurement timetables and associated costs on both the public and private sector side. The production of standard form contracts for investment programmes is common practice and is essential in delivering the benefits of reduced procurement costs (public sector and private sector adviser fees) on projects within a generic programme. The production of such a document for Scotland's NPD programme will save unnecessary duplication of effort on both the public and private sector side. SFT has consulted with the market to produce a standard NPD contract that will reduce the scope of upfront development costs and the need for negotiation on a project by project basis of generic issues. In addition we expect to progress the design on accommodation projects within the NPD programme further than is traditionally the case before projects start the procurement process. This will reduce the level of bid costs to be incurred by the private sector in design development.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** Not applicable **2009/10 & 2010/11 Benefit Quantification Realisation:** We have estimated the saving in procurement costs for the public and private sector across the NPD programme of an expected seven new projects totalling in excess of £750m in capital value. The same changes have been made to the DBFM contract used in the hub programme, but to be conservative we have not included these contracts within this calculation. We estimate that there will be a 17.5% reduction in advisory costs (from an assumed average base level of advisory fees of £1m) for the public sector due to a decrease in time required to agree the contract. The impact of these cost savings will be realised up front as the projects are procured. We would expect the private sector advisory costs to be greater than those of the public sector – we have included an estimate of base advisory costs of £1.5m (including design fees) - and expect a 17.5% saving to be made on these costs as well. These cost savings are reflected in reduced unitary charge of the projects. There will be a reduction in success fees charged by the winning bidder – this is normally a multiple of the costs incurred by this bidder to reflect the risk of loss. Therefore we have assumed a saving of £525k per accommodation project in the NPD programme (17.5% x £1,500k x 2), with this saving being reflected in lower unitary charge. The combined benefit of this savings is £8.1m.
4. Sharing:	100% is attributable to SFT.
5. Confidence:	D – Moderate

6. Phasing	60% 2010/11, 40% 2011/12

C7 – NPD Contract – Optimal Risk Transfer

Benefit Ref:	C7
1. Title:	NPD Contract – Optimal Risk Transfer
2. Description:	The basis for this benefit is the review and development of historic standard form contracts, building on lessons learnt from previous comparable projects, to develop a risk allocation which is more likely to offer better value for money. This benefit results from the development of a more appropriate allocation of risk in those areas where the private sector has no control. The main changes to the historic risk allocation as set out in the SoPC4 model form contract are the removal of risk to the private sector contractor for the capital costs of non-discriminatory change in law during operations, the movements in insurance costs due to changes in the general insurance market, the changes in utility costs due to volume usage and the costs from malicious damage. SFT"s experience in this sector suggests that the private sector either over price for these risks (as they are not able to mitigate or manage them) or the public sector should (in areas such as malicious damage) be able to mitigate these risk since they have more direct control in the day to day running and operation of the build (e.g. through a head teacher exercising his/her powers to reduce vandalism within schools).
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** Not applicable. **2009/10 & 2010/11 Benefit Quantification Realisation:** Change in Law Risk – there is not sufficient evidence of separate risk pricing for this risk, so to be conservative no benefit has been attributed. Insurance General Market Risk – net benefit has been calculated by making an assumption that the private sector on average apply a 20% risk premium to expected insurance rates for the previous SOPC4 standard contractual position. This position assumed that 100% of the first 30% movement in insurance costs from the base level was for the cost / benefit of the private sector, reducing to 15% of any movement from base beyond 30%. The base level increased with underlying inflation. If insurance is being estimated as a genuine expectation of future costs, subsequent falls in insurance should be as likely as subsequent rises. Therefore there should be no expectation of additional costs overall from the public sector accepting this risk. However for prudence, we have assumed that the public sector would experience a 10% loss on average. Therefore the net benefit is 10% of expected insurance. Across the 9 expected projects in the NPD programme and the primary healthcare and schools projects to be delivered through hub, the expected operational insurance costs are forecast to be around £5.4m per annum, therefore a 10% net benefit is £663k per annum. Utilities Volume Risk – on accommodation projects (both NPD projects and hub projects), it is estimated from data on previous projects that the volume risk and the management of it is on average priced at 4.5% of the utilities cost of the project. We expect the utility costs of all of the accommodation projects (NPD and hub) to come to a total of £3.5m per annum. Therefore the priced volume

	risk on this cost would be £157k per annum. The management of the usage of utilities is more directly in control of the public sector body, particularly given the soft FM services will be provided in-house. Therefore it is estimated that only half of this risk allowance is required when transferred to the public sector. This produces a saving of £79k per annum across the accommodation projects within the NPD programme and hub once into operations. Malicious Damage Risk - It is estimated from data on earlier projects that the private sector contractors on average will make a cost allowance for malicious damage risk of 7.5% of the Hard FM costs for schools and 2.5% for other accommodation projects. Based in industry benchmarks of £19 to £23/m2/yr and current estimates of floor space, the total Hard FM costs for all accommodation projects is expected to be £14m per annum on average. The cumulative risk pricing for malicious damage for schools is expected to be £337k per annum and for other accommodation projects is expected to be £237k per annum. Given that the public sector has more direct control over malicious damage than the private sector, since they employ the head teachers, we have estimated that only 75% of this risk allowance is required once the risk has been transferred. This produces a cumulative saving of £144k per annum across the accommodation projects within the NPD programme once into operations. In total across these changes, we expect a benefit of £886k per annum once all of the projects in the NPD and hub programme are into operation. Across the expected project life of these projects, this produces a total saving of £16m across the project life of the individual projects.
4. Sharing:	100% attributable to SFT.
5. Confidence:	C – Good
6. Phasing	2010 / 11 -33%, 2011/12 – 67%

C8 – NPD Programme – Reduced Cost of Capital

Benefit Ref:	C8
1. Title:	NPD Programme – Reduced Cost of Capital
2. Description:	The basis for this benefit is the creation of a financing structure that could lead to a lower cost of borrowing. SFT has developed a structure for a contingent refinancing undertaking by the Scottish Government that should bring significant benefit to the programme of NPD projects that are forthcoming in the next 2-3 years. There remains a level of uncertainty as to whether a significant liquid market in long term project finance will remain for UK infrastructure projects. This uncertainty stems from the 2008 financial crisis (and the UK Government support that was introduced on the back of this and which is, over time being withdrawn), the phasing in of new Basel III capital adequacy rules and any new legislation to be introduced following the publication of the final report of the Independent Commission on Banking expected in September 2011. Even if a liquid funding market does remain, there is a strong probability that an undertaking of this sort can bring significant value for money benefits, net of the costs.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** Not applicable **2009/10 & 2010/11 Benefit Quantification Realisation:** To be conservative we have based the benefit upon purely the M8 project and the Aberdeen Western Peripheral Road project. As the largest projects in the programme (at an estimated £320m and £450m respectively), they are the most likely to suffer from a lack of available funding. The benefit is calculated as a net benefit of 0.5% per annum in the interest costs on these projects (after the costs associated with the government undertaking). Once both projects are in operations, this would generate a saving of £3.85m per annum (0.5% of £770m) or a total undiscounted benefit over the life of these projects of £74.7m.
4. Sharing:	50% attributable to SFT.
5. Confidence:	D – Moderate
6. Phasing	20% in 2010/11 40% in 2011/ 12 40% in 2012/13

C9 – hub – Return on Working Capital Investment

Benefit Ref:	C9
1. Title:	Return on working capital investment for SE and North hubcos
2. Description:	The basis for this benefit is to reflect the forecast return on investment to the public sector through the investment of working capital in hubcos. Public Sector Participants and SFT inject working capital on formation of hubco (£300k for public sector participants and £100k for SFT for both SE & North Territories – giving a total £800k). Over the first five years of hubco operations, this is paid back together with a return on investment. The return on investment will be re-invested as capital enabling funds to support the development of additional hub projects. This is a separate return to benefit D4 which forecasts the benefit of public sector participants investing equity in hub DBFM projects.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** N/A **2009/10 & 2010/11 Benefit Quantification Realisation:** The rates of return on Working capital investment are 4.5% in North & 5% in South East respectively **Total estimated benefit split over 2010/11 – 2015/16= (**4.5% * £400k) + (5% * £400k) = £38k/yr for 5 years.
4. Sharing:	50%
5. Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
6. Phasing	Both hubcos were formed in 2010/11 – working capital is to be repaid within 5 years.

D1 – Hub Programme – Reduced Procurement Time

Benefit Ref:	D1
1. Title:	Hub Programme – Reduced Procurement Time
2. Description:	The basis for this benefit is the reduction in cost to the public sector through a reduced procurement timetable. The removal of the need to carry out procurement via OJEU for each individual project procured through the hub programme should save 6 months in time. The earlier delivery of projects and the reduction in internal and advisory transaction costs is likely to equate to 2% of the capital cost of the project, across the £1.4bn anticipated pipeline in the first 10 years of the hub partnerships. The potential size of the hub pipeline over ten years has been revised in 2010/11 based on the most recent actual figures provided by participant organisations and it has increased from the £1bn predicted in 2009/10 to £1.4bn by the end of the financial year 2010/11. The split of delivery of projects between capital and revenue funding over the next two years has been predicted based on information provided directly by hub participants and taking account of the timescales for procurement of hubco"s. Thereafter, a smoothed profile of pipeline based upon the total pipeline by territory, by funding route, minus the first two years (above) divided by 8 to provide a 10 year profile. The number of DBFM projects for the first two years is based upon expected actual per the total pipeline spreadsheet. The remainder are based upon last year"s presumption of 5 DBFM projects closing per annum (i.e. 1 per territory).
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The benefit quantified for 2009/10 will be revised upwards due to an increase in the capital funded pipeline from £325m to £568.6m and the increase in the revenue funded pipeline from £675m to £837.3m. The confidence factor, percentage attributable to SFT and the assumed years of creation remain unchanged. **2009/10 & 2010/11 Benefit Quantification Realisation:** 2% Capital cost saving through accelerated development and reduced internal and bought-in costs of transactions. This saving will be delivered to budgets over the 10-years of project delivery for capital funded projects (assumed £568.6m pipeline) and over the subsequent 25-year operational; periods of DBFM projects (assumed £837.3m pipeline). The undiscounted sum of this benefit is £46.26m of which 50% (£23.13m) is attributable to SFT, with 50% being attributable to the collaborative efforts of other participant public sector organisations. The calculation backing this up is included in D1-D5 hub Benefit Assumption Sheet in supporting spreadsheet.
4. Sharing:	50%
5. Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for

	delivery of benefit, but stages remain to be completed – 90%
6. Phasing	40% - 09/10, 30%, 20%, 10% following years

D2 – Hub Programme – Capital Costs Continuous Improvement

Benefit Ref:	D2
1. Title:	Hub Programme – Capital costs Continuous improvement
2. Description:	The basis for this benefit is the reduction in the future cost of projects through the creation of contract structure that obliges contractors to meet continuous improvement performance targets. The HubCo in each Territory is contractually obliged to meet performance targets - including driving down the cost of constructing community projects and improving the specification of buildings. There is therefore a saving delivered through reduction in construction costs (in real terms) via the robustly monitored continuous improvement targets for HubCo. Savings are anticipated to be 1% per annum real cumulative - hence by year 10 to have made a saving of 10% compared to the baseline model. Efficiencies and economies of scale will be generated by the private sector development partner and supply chain e.g. via competition in supply chains, cost improvement plans, benchmarking, VfM procedures, integrated design and lifecycle approach, standardised processes and documents across sustained deal flow. In relation to existing partnering arrangements such as Procure 21 in England and Designed for Life in Wales this 1% continuous improvement estimate is considered conservative. At this stage, the wider operational cost saving and service delivery benefits of hub have not been quantified. The potential size of the hub pipeline over ten years has been revised in 2010/11 based on the most recent actual figures provided by participant organisations and it has increased from the £1bn predicted in 2009/10 to £1.4bn by the end of the financial year 2010/11. The split of delivery of projects between capital and revenue funding over the next two years has been predicted based on information provided directly by hub participants and taking account of the timescales for procurement of hubco"s. Thereafter, a smoothed profile of pipeline based upon the total pipeline by territory, by funding route, minus the first two years (above) divided by 8 to provide a 10 year profile. The number of DBFM projects for the first two years is based upon expected actual per the total pipeline spreadsheet. The remainder are based upon last year"s presumption of 5 DBFM projects closing per annum (i.e. 1 per territory).
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The benefit quantified for 2009/10 will be revised upwards due to an increase in the capital funded pipeline from £325m to £568.6m and the increase in the revenue funded pipeline from £675m to £837.3m. The confidence factor, percentage attributable to SFT and the assumed years of creation remain unchanged.

	2009/10 & 2010/11 Benefit Quantification Realisation: 1% per annum capital cost continuous improvement saving through supply chain efficiencies and benchmarking / monitoring. This saving will be delivered to budgets over the 10-years of project delivery for capital funded projects (assumed £586.6m pipeline) and over the subsequent 25-year operational; periods of DBFM projects (assumed £837.3m pipeline). The undiscounted sum of this benefit is £79.48m of which 50% (£39.74m) is attributable to SFT, with 50% being attributable to the collaborative efforts of other participant public sector organisations. The calculation backing this up is included in D1-D5 hub Benefit Assumption Sheet in the calculation spreadsheet.
4. Sharing:	50%
5. Confidence:	C – Good
6. Phasing	40% - 09/10, 30%, 20%, 10% following years

D3 – Hub Programme – Bid Cost Savings

Benefit Ref:	D3
1. Title:	Hub Programme – Bid Cost Savings
2. Description:	The basis for this benefit is the creation of a delivery model that reduces private sector bid costs. With stand alone DBFM procurement competitions, generally there are 3 bidders who incur substantial sums in bidding for the project. 2 of these 3 bidders will suffer loss on these sums and the winning bidder will generally recover a multiple of their bid costs to cover for lost bid costs on other projects. Under the hub model there is no need to bid for individual DBFM projects so these costs are saved. At this stage, the wider operational cost saving and service delivery benefits of hub have not been quantified. The split of delivery of projects between capital and revenue funding over the next two years has been predicted based on information provided directly by hub participants and taking account of the timescales for procurement of hubco"s. Thereafter, a smoothed profile of pipeline based upon the total pipeline by territory, by funding route, minus the first two years (above) divided by 8 to provide a 10 year profile. The number of DBFM projects for the first two years is based upon expected actual per the total pipeline spreadsheet. The remainder are based upon last year"s presumption of 5 DBFM projects closing per annum (i.e. 1 per territory).
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The potential size of the hub pipeline over ten years has been revised in 2010/11 based on the most recent actual figures provided by participant organisations and it has increased from the £1bn predicted in 2009/10 to £1.4bn by the end of the financial year 2010/11. The basis on which this benefit has been calculated is the same as the 2009/10 benefit statement however given additional certainty, the confidence rating has been increased from „C" - Good to „B" – Very Good. Both the SE & N Territories have reached close and now have operational hubco"s and procurement has commenced in EC and W with the SW to issue and OJEU in mid 2011. Data on the potential pipeline of projects for hub has been firmed-up and additional revenue support for projects has been made available by the Government as part of the November 2010 budget. **2009/10 & 2010/11 Benefit Quantification Realisation:** The saving is assumed to be £0.5m per DBFM project - £0.375m spent per bidder on average and an average of 1.5 losing bidders per project. There is also an assumed workflow of DBFM projects across Scotland - 1 for each of the five territories per annum on average. The bid cost saving, which bidders would seek to recover from the public sector on future projects is then translated into an anticipated unitary charge saving for each project.

	<table><tr><td>Design Fees Saved</td><td>£0.225m</td><td>per bidder per project</td></tr><tr><td>Other Bid Costs</td><td>£0.15m</td><td></td></tr><tr><td>Total</td><td>£0.375m</td><td></td></tr><tr><td>No of Losing Bidders Per Project</td><td>1.5</td><td></td></tr><tr><td>Total Saving per project (capital)</td><td>£0.5m</td><td></td></tr><tr><td>Equivalent Unitary Charge Reduction (p.a.)</td><td>£0.047m</td><td>Per project per annum</td></tr></table> The undiscounted sum of this benefit is £60.94m across all the projects in the projected hub pipeline of which 50% (£30.47m) is attributable to SFT, with 50% being attributable to the collaborative efforts of other participant public sector organisations. The calculation backing this up is included in D1-D5 hub Benefit Assumption Sheet in the calculation spreadsheet.
4. Sharing:	50%
5. Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
6. Phasing	40% - 09/10, 30%, 20%, 10% following years

D4 – Hub Programme – Public Sector Investment Returns

Benefit Ref:	D4
1. Title:	Hub Programme – Public Sector Investment Returns
2. Description:	The basis for this benefit is to reflect the forecast return on investment by the public sector in DBFM projects that form part of the hub programme. Unlike in all DBFM procurements to date in Scotland, across the hub programme the public sector will have the right to invest 40% of the equity and subordinated debt requirements into each revenue funded project (anticipated to be around 4% of the total funding requirement). The returns on this investment are an additional benefit to the public sector from the hub initiative. The public sector could derive additional benefit through the utilisation of the returns received from their investment. At this stage, the wider operational cost saving and service delivery benefits of hub have not been quantified.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The potential size of the hub pipeline over ten years has been revised in 2010/11 based on the most recent actual figures provided by participant organisations and it has increased from the £1bn predicted in 2009/10 to £1.4bn by the end of the financial year 2010/11 However the assumed confidence factor, sharing and years of realisation remain as per last year"s statement. **2009/10 & 2010/11 Benefit Quantification Realisation:** The split of delivery of projects between capital and revenue funding over the next two years has been predicted based on information provided directly by hub participants and taking account of the timescales for procurement of hubco"s. Thereafter, a smoothed profile of pipeline based upon the total pipeline by territory, by funding route, minus the first two years (above) divided by 8 to provide a 10 year profile. The number of DBFM projects for the first two years is based upon expected actual per the total pipeline spreadsheet. The remainder are based upon last year"s presumption of 5 DBFM projects closing per annum (i.e. 1 per territory)] The anticipated investment return to the public sector is measured as the premium returned over and above the assumed nominal cost of capital of the public sector (6.09%). The average rate of return of these projects is assumed to be 10% - therefore the real return over the cost of capital is assumed to be 3.91%. As opposed to last year where it was assumed the value of DBFM projects signed in each territory per annum was £15m, specific assumptions have been made on the actual value of DBFM projects signed in each territory per annum, based on the profile of projects updated in 2010/11 over the next ten years. An annualised value of this investment return has been calculated across all the DBFM projects anticipated in the pipeline. The undiscounted sum of this benefit is £32.73m across all the projects in the projected hub pipeline of which

	50% (£16.37m) is attributable to SFT, with 50% being attributable to the collaborative efforts of other participant public sector organisations. The calculation backing this up is included in D1-D5 hub Benefit Assumption Sheet in the calculation spreadsheet.
4. Sharing:	50%
5. Confidence:	C – Good
6. Phasing	40% - 09/10, 30%, 20%, 10% following years

D5 – Hub Programme – Reduced Rates of Return

Benefit Ref:	D5
1. Title:	Hub Programme – Reduced Rates of Return
2. Description:	The basis for this benefit is the realisation of lower private sector rates of return through the input of specialist support during the procurement process. As part of the procurement of hub territory partners, SFT is focussing on investment return requirements of bidders during the competitive dialogue phase. It is anticipated that a 3% reduction in IRR will be achieved when compared to an average PFI project delivered to date in the UK. At this stage, the wider operational cost saving and service delivery benefits of hub have not been quantified.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The potential size of the hub pipeline over ten years has been revised in 2010/11 based on the most recent actual figures provided by participant organisations and it has increased from the £1bn predicted in 2009/10 to £1.4bn by the end of the financial year 2010/11. However the assumed confidence factor, sharing and years of realisation remain as per last year"s statement. **2009/10 & 2010/11 Benefit Quantification Realisation:** The split of delivery of projects between capital and revenue funding over the next two years has been predicted based on information provided directly by hub participants and taking account of the timescales for procurement of hubco"s. Thereafter, a smoothed profile of pipeline based upon the total pipeline by territory, by funding route, minus the first two years (above) divided by 8 to provide a 10 year profile. The number of DBFM projects for the first two years is based upon expected actual per the total pipeline spreadsheet. The remainder are based upon last year"s presumption of 5 DBFM projects closing per annum (i.e. 1 per territory)]. The reduced rate of return requirement of private sector participants will lead directly to lower unitary charge payments for DBFM projects by the public sector procurers. There are specific assumptions made on the projected actual value of DBFM projects signed in each territory per annum, based on the profile of projects updated in 2010/11 over the next ten years. An annualised value of this saving has been calculated across all the DBFM projects anticipated in the pipeline. The undiscounted sum of this benefit is £62.79m across all the projects in the projected hub pipeline of which 50% (£31.40m) is attributable to SFT, with 50% being attributable to the collaborative efforts of other participant public sector organisations. The calculation backing this up is included in D1-D5 hub Benefit Assumption Sheet in the calculation spreadsheet.

4. Sharing:	50%
5. Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
6. Phasing	40% - 09/10, 30%, 20%, 10% following years

D6 – Hub Programme – Dialogue Stage Public Sector Savings

Benefit Ref:	D6
1. Title:	Dialogue Stage Public Sector Savings – updated for 2010/11
2. Description:	The basis for this benefit is savings to the public sector through specialist support and input from SFT during the procurement process. As part of the first hub territory procurement, SFT took a robust stance on the value offered by bidders in several different areas. Through the competitive dialogue stage, savings totalling £1m were delivered, though details remain commercially confidential given ongoing procurement of partners in the other territories. The same process continued during the North Procurement resulting in a one-off saving of £700k.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The one-off net saving of £1m delivered to public sector participants in the South East hub territory remains as stated in last year's benefit statement. **2009/10 & 2010/11 Benefit Quantification Realisation:** A one-off net saving of £1m has been delivered to public sector participants in the South East hub territory with a further £700k in the North. **Total estimated benefit over 2009/10 & 20010/11 = £ 1.7m**
4. Sharing:	50%
5. Confidence:	A – High – Benefit has already been delivered. – 100%
6. Phasing	2010 – 2015 Flat profile

D7 – Schools Programme – Pilot Project Savings

Benefit Ref:	D7
1. Title:	Schools Programme – Pilot Project Savings
2. Description:	The basis for this benefit is facilitating joint working, sharing of resources and promoting a common approach between two authorities to deliver savings. SFT instigated and is supporting a pilot project for Scotland"s Schools for the Future programme, identifying structures and processes for delivering savings through collaborative procurement across Local Authority boundaries. The pilot project involves East Renfrewshire and Midlothian, two councils working together for the first time to jointly procure a schools project through agreeing common areas of specification and following a single procurement process. The pilot project involves two councils and requires one project team, one set of advisors and one design team delivering public sector „cost of procurement" savings. The resulting larger combined project has been taken to market resulting in a reduced tender price through the achievement of economies of scale.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The Schools Pilot Project Outline Business Case outlined potential saving of up to 6.49% through a joint procurement. The lower end of the mid-point savings range of 3.13-3.25% was considered more prudent to record as a benefit at the end of 2009/10. 3% capital cost saving on combined £70m project = £2.1m saving. Shared between SFT and the two participating Local Authorities. **2009/10 & 2010/11 Benefit Quantification Realisation:** Competitive Dialogue discussions with the short listed contractors have now concluded. Tender Prices will be received from contractors in May 2011. Based upon the advanced stage of the tender process it is deemed prudent to increase the savings estimate from 3% to 5% at the end of 2010/11. 5% capital cost saving on combined £70m project = £3.5m saving. Shared between SFT and the two participating Local Authorities.
4. Sharing:	Percentage share attributable to SFT – 50%
5. Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
6. Phasing	Work attributable in: 2009/10 – 50% 2010/11 – 50%

D8 – Schools Programme – Needs Identification

Benefit Ref:	D8
1. Title:	Schools Programme – Needs Identification
2. Description:	The basis for this benefit is gathering data and intelligence to provide support as well as proactive challenge to the conventional assumptions relating to the delivery of new schools in order to deliver savings. SFT is managing the £1.25 billion Scotland"s Schools for the Future programme to build 55 new schools (28 secondary, 26 primary and 1 special educational needs school). The first secondary is scheduled to be completed by 2013 and the first primary by the end of 2011. The programme will deliver good quality, well-designed and sustainable schools at a competitive price. SFT"s role involves: • Programme management and co-ordination • Driving VfM across programme – e.g. needs identification • Facilitating aggregation and collaboration benefits – e.g. joint working / hub • Carrying out lessons learned exercise • Supporting pilot project development • Sharing knowledge on cost, design and best practice • Matching SG funding with LA funding and LA readiness The programme is in its early stages with the procurement / delivery route yet to be identified for some schools. SFT"s primary role is to provide evidence-based constructive challenge to the early identification of needs for new school facilities. A small number of key factors drive cost of any new school: • Number of pupils the school is designed for • Building area allowed per pupil • Capital cost per m^2 of area built SFT has applied a standard set of criteria for the design school role (number of pupils); has carried out a lessons learned study on previous schools investment[1] giving an understanding of reasonable building sizes; and has benchmarked construction costs across recent schools projects in Scotland and further afield. Working with Local Authorities to apply this consistent funding approach and robustly challenge need, has identified opportunities for substantial cost savings against initial estimates and is an improved approach to requirements management.

[1] http://www.scottishfuturestrust.org.uk/docs/61/Lessons%20Learnt.pdf

<table>
<tr><td></td><td>Following the Scottish Governments‟ budget publication in November 2010, it is expected that £400-500m of Scotland‟s Schools for the Future programme will be delivered using revenue funding. The revised 2009/10 - 2010/11 total benefit reflects the change in funding profile.</td></tr>
<tr><td>3. Quantification:</td><td>2009/10 Benefit Quantification & Realisation:

The calculation of benefit delivered is split between secondary and primary schools:

Secondary:

<table>
<tr><td>Number of Pupils</td><td>Average design capacity reduced from 1,072 to 984 pupils across 14 schools

Saving calculated at £19m</td></tr>
<tr><td>Area per pupil</td><td>Average area per pupil reduced from 12.8 to 11.0m^2 / pupil</td></tr>
<tr><td>Cost per m^2</td><td>Average cost reduced from £2,660/ m^2 to £2,200/ m^2

Saving calculated at £118m across 14 schools (area and £/ m^2)</td></tr>
<tr><td>TOTAL</td><td>£137m of benefit across 14 secondary schools</td></tr>
</table>
Secondary school funding is 67% Scottish Government and 33% Local Authority. SFT‟s actions have set the Government funding level, delivering that benefit apportioned to SFT. The 33% of budget provided by Local Authorities will also benefit and this is allocated to the participating Local Authorities.

Primary and SEN:

A total benefit across 21 primary schools of £39m was identified through a combination of design capacity, area requirement and unit cost effects.

Primary and SEN school funding is 50% Scottish Government and 50% Local Authority. SFT‟s actions have set the Government funding level, delivering that benefit apportioned to SFT. The 50% of budget provided by Local Authorities will also benefit and this is allocated to the participating Local Authorities.

TOTAL

The total benefit delivered through the needs identification process is £176m shared £110m relating to Government budget accruing to SFT and £66m to Local Authorities. This overall benefit will be delivered across the years of the investment programme from 10/11 to 17/18.

2009/10 & 2010/11 Benefit Quantification Realisation:

No amendment to the 2009/10 position.</td></tr>
<tr><td>4. Sharing:</td><td>50-66% based on budget allocation.</td></tr>
<tr><td>5. Confidence:</td><td>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%</td></tr>
<tr><td>6. Phasing</td><td>2009/10 – 100%</td></tr>
</table>

D9 – Schools Programme – Continuous Improvement Savings

Benefit Ref:	D9
1. Title:	Schools Programme – Continuous Improvement Savings
2. Description:	The basis for this benefit is embedding continuous improvement in the programme delivery function to realise savings. SFT is managing the £1.25 billion Scotland"s Schools for the Future programme to build 55 new schools (28 secondary, 26 primary and 1 special educational needs school). The first secondary is scheduled to be completed by 2013 and the first primary by the end of 2011. The programme will deliver good quality, well-designed and sustainable schools at a competitive price. Continuous improvement savings will be driven across the programme via: • Use of hub contractor / delivery programme leading to continuous improvement at contractor level. Savings of time / costs. • Identifying and recommending the most appropriate procurement strategy whether it be joint procurement / use of hub / framework / bundling with existing capex plan. • Enabling documentation and best practice guidance will be available from a central resource rather than 32 LAs having to identify/source the same information individually. Time and resource savings at local level. Design commonalities will be available from a central resource rather than 32 LAs having to prepare designs individually. Time and resource savings at local level.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** 3% saving throughout the programme anticipated. The continuous improvement saving excludes the pilot programme as this is the first project to progress in the programme. Savings estimated from the pilot project are included in D7. Total saving identified of £35m, requiring ongoing SFT and Local Authority work to deliver, and allocated 50:50 between SFT and participating LAs. **2009/10 & 2010/11 Benefit Quantification Realisation:** In November 2010 the Scottish Government confirmed that £400-500m of Scotland"s Schools for the Future programme would be revenue funded. The underlying assumption of 3% saving remains constant. The profile of benefit realisation is updated as follows to reflect the revised split between capital and revenue funding: Total value of the programme (excluding Pilot Project value): £1,180m Revenue funded (assume mid-point): £450m 3% saving = £13.5m Equivalent Unitary Charge reduction = £1.125m per annum Assume benefit will be realised from 2013/14 to 2038/39

	Capital funded (Total less Revenue): £730m 3% saving = £21.9m Assume benefit will be realised evenly from 2010-11 to 2017-18 The benefit can be realised as a cash saving or, more likely, additional schools delivered with the same budget allocation.
4. Sharing:	Percentage share attributable to SFT – 50%
5. Confidence:	C – Good - Plans are in place to deliver the benefit but some third party commitment remains outstanding and/or significant stages remain outstanding to deliver the anticipated benefit. – 75%
6. Phasing	Work attributable in: 2009/10 – 20% 2010/11 – 20% 2011/12 – 20% 2012/13 – 20% 2013/14 – 20%

D10 – Not Used

E1 – Validation – Non-Standard Civils Projects (FRC)

Benefit Ref:	E1
1. Title:	Validation - Non-Standard Civils Projects (FRC)
2. Description:	The basis for this benefit is the provision of an independent project assurance function. Project Assurance/KSRs completed for FRC, see methodology below.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** The benefit statement for 2009/10 accounted for SFT undertaking a Pre-ITPD and Pre- OJEU validation of the Forth Replacement Crossing and the Glasgow Residual Waste projects respectively. For the purposes of the benefit calculation, the FRC was valued at £2bn which is the mid-point of the cost estimate provided by Transport Scotland and the GCC Waste project valued at £80m. As per methodology below (Table 2), a 1.5% benefit was recognised (based on benefit of project validation report - non standard civil engineering project - 'incomplete scope'); the „incomplete scope" classification was used as a full set of validation had not been undertaken on either project. In addition it was assumed that 50% of the work to achieve the overall benefit was undertaken in 2009/10, with the remaining 50% to be completed in 2010/11. For the year 2009/10, the total benefit attributed was £5,030,002. **2009/10 & 2010/11 Benefit Quantification Realisation:** SFT carried out a further Pre-PB validation of the Forth Replacement Crossing. Following tender returns on the FRC project the total capital cost of the project has reduced, however we have not adjusted the capital value of the project for the purposes of this benefit statement. We have assumed that any improvement to the pre validation estimate of costs is at least in part due to the project having been reviewed and recommendations having been enacted. The benefit attributable to the GCC Waste project has not been calculated in E1 for 2010/11 (and in the recalibration of the 2009/10 benefit value will be removed). It is assumed that the validation benefit for this project is effectively captured in Benefit G2. For the FRC a factor of 1.0 was applied as per Table 3 in the attached methodology. The benefit = £2.0bn * 1.5% = £30m, spread over the 5 year construction period = £6m pa commencing in 12/13.
4. Sharing:	50%- Transport Scotland
5. Confidence:	10/11: B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%. This has increase from C (75%) in last year"s benefit statement given that firm tenders have now been received.
6. Phasing:	The years of recognition are 50% 09/10, 50% 10/11.

E2 – Validation – Standard Accommodation Projects

Benefit Ref:	E2
1. Title:	Validation - Standard Accommodation Projects
2. Description:	The basis for this benefit is the provision of an independent project assurance function. Project Assurance/KSRs completed for LA Projects, hub PSDP procurements & NHT Framework procurement, see methodology below.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** During financial year 2009-10 four projects were subject to reviews by SFT: • Tayside Mental Health Project • Orkney Schools Project • Western Isles Schools Project • Moray Schools Project **2009/10 & 2010/11 Benefit Quantification Realisation:** The hub (South East, North, East Central & West territory procurements) with a current pipeline of £1.13bn and the NHT initiative with a pipeline of £102m were subject to reviews for the first time. We have applied the „partial scope" factor to these pipelines as these procurements have in some cases been subject to only 2 of 3 reviews reflecting the continued day to day involvement of SFT and continues improvement particularly over the hub procurements. Following methodology below, the total benefit created is calculated based on the following : Capital Value of revenue funded projects as per respective Final Business Cases: Tayside Mental Health Project - £100m Moray Schools- £40m Total: £140m Capital Value of capital funded projects as per Final Business Cases: Orkney Island Schools Project- £49m Western Isles Schools Project - £58m Total - £107m Capital Value of hub and NHT pipelines: hub (4 territory pipeline) £1400m NHT £102m Total: £1,502m **Benefit Determination**: **Revenue Projects:** Revenue savings based on 0.6% of £140m capex reduction as per Table 2 in the methodology below * Table 3 correction factor of 1.0 = £840k. This equivalent to a reduction in the annual unitary charge of £70k p.a. commencing

	in 12/13 for 30 years **Capital Projects**: Based on 0.6% of £107m capex reduction as per Table 2 in the methodology below * Table correction factor of 1.0 = £642k or £214k p.a. over three years in line with the construction timetables. **hub:** Based on 0.6% of £1400m capex reduction = as per Table 2 in the methodology below * Table 3 correction factor of 0.5 = £4.2m. Flat spread over 5 years = £840kpa commencing in 10/11) **NHT:** Based on 0.6% of £102m capex reduction = as per Table 2 in the methodology below * Table 3 correction factor of 0.0 = £0m.
4. Sharing:	50%
5. Confidence:	B – Very Good - Firm, deliverable plans are in place and being progressed for delivery of benefit, but stages remain to be completed – 90%
6. Phasing	Years of creation 33.3% 09/10, 33.3% 10/11, 33.3 11/12

E3 – Validation – CMAL

Benefit Ref:	E3
1. Title:	CMAL – Validation of vessel investment proposals
2. Description:	The basis for this benefit is the provision of an independent assurance function to Caledonian Maritime Assets Limited's ("CMAL") proposed investment programme. CMAL is a company limited by shares with Scottish Ministers as the sole shareholder. It owns the majority of the ferries and many of the ports and harbours that are used to provide lifeline ferry services in the Clyde and Hebrides; the operator of these services is obliged to use the vessels owned by CMAL as a condition of their public services contract. In early 2010 CMAL developed an investment programme for vessels and harbours that would require SG funding of some £813m in real terms over the period 2012 to 2027.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** During 2009/10 it was not possible to put any meaningful quantification to SFT's added benefit on this investment programme, and SFT therefore took a conscious decision for the 09/10 Benefits Statement not to attribute any benefit to this work. Having now quantified the benefit we are phasing the attributable work equally over 09/10 and 10/11. **2009/10 & 2010/11 Benefit Quantification Realisation:** As part of the review and challenge process undertaken by the investment project Steering Group (of which SFT were a key member from early 2010) this investment plan was revised significantly downwards to £610m, whilst maintaining the equivalent provision of service. This represents a net reduction of £203m. SFT's provided a fresh impetus to challenge the previously accepted assumptions to the investment case in a critical but proactive manner. A low confidence factor has been attributed to this benefit to reflect future uncertainties in the Scottish Government's capital budget. The benefit has been assumed to be spread evenly over the period 2011/12 to 2035/36.
4. Sharing:	33.3% shared equally between Scottish Government/Transport Scotland, CMAL and SFT.
5. Confidence:	Confidence factor: D – Moderate - Deliverable benefit identified with discussions ongoing with third parties to put firm plans in place for delivery. – 55%
6. Phasing	50% of work attributable to 2009/10, 50% to 2010/11.

E4 – Validation – Non – Standard Civils Projects (Borders Railway)

Benefit Ref:	E4
1. Title:	Validation - Non-Standard Civils Projects (Borders Railway)
2. Description:	The basis for this benefit is the provision of an independent assurance function through SFT"s on-going role on the Project Board. Project Assurance/KSRs completed for Borders Railway, see methodology below.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** This was erroneously not included in the 2009/10 benefits statement, although work had been undertaken in that year to help achieve the benefit. See below for description and approach. The re-calibration of the 2009/10 benefit will incorporate this amendment. **2009/10 & 2010/11 Benefit Quantification Realisation:** SFT has undertaken progressive assurance on the Project since late 2009, which was prior to the issue of the OJEU notice and as a result the full value of 3.1% as per Table 1 in the methodology described below has been adopted to estimate the value of the benefit of SFT"s progressive assurance role on this project. This assurance role has included active participation in the Project Board and associated commercial working groups. Consequently a Table 3 correction factor of 0.5 has been applied as per the methodology below. Capital value of £250m as per Outline Business Case, with 3.1% saving attributed, gives a saving of (£250m* 3.1% *0.5 = £3.875m which is equivalent to a £323k pa or £9.69m in total reduction in the unitary charge). These benefits are spread over 30 years from 2015/16.
4. Sharing:	50%
5. Confidence:	09/10 and 10/11: 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%
6. Phasing	The years of creation are split equally over 09/10, 10/11 and 11/12.

Validation Methodology and Benefit Quantification

SFT undertakes Key Stage Reviews of complex procurements at critical decision points through the business case and procurement process. Benefits A1 &A2 identified the saving arising from SFT undertaking these reviews in-house rather than through external consultants. This additional benefit considers the anticipated improvement in outturn cost for the projects due to the review process. Similar reviews are also carried out by Scottish Government Procurement Directorate.

[We should explain how our KSR process complements the Gateway Review process undertaking by sponsoring departments and the internal assurance process undertaken by procuring authorities]

This paper sets out to quantify the benefits to a capital project of ongoing external validation as delivered by the SFT through Key Stage Reviews. Such a quantification, for any individual project, or generically for all projects subject to external validation, is challenging for the following reasons:

- Major complex procurements such as those validated by SFT are only ever undertaken once. There is never a "counterfactual" or un-validated project similar in all other respects against which to compare the outturn;
- The National Audit Office is currently completing a study into project validation and we understand that it is not going to quantify the benefits of external validation in that report; and
- The outcome of a validation review, where recommendations are acted upon, is most likely to be a substantial reduction in the aggregate probability of adverse events or poor performance impacting on outturn [costs?] rather than a change being made that has an individually identifiable impact on a specific project cost line.

The approach taken in quantifying the "most likely" benefit in outturn cost across a series of projects subject to external validation is therefore to:

1) List a range of representative findings and recommendations that would lead to improvements in project processes and outcomes;
2) Consider the likely impact of such changes to the Optimism Bias associated with the project according to HM Treasury Green Book guidance[2]

1. Validation Outcomes

SFT undertakes Key Stage Review (KSR) external validation of major capital investment projects during the intensive commercial, financial and technical stages of a Project between Outline Business Case (OBC) completion and award of the main delivery contract(s). Thus, a number of reviews are undertaken between the OGC Gateway stage 1 and 3 interventions.

Typical recommendations would refer to:

a) Project governance arrangements and links to organisational governance;
b) Skills and experience of key project team members;
c) Resourcing of client side project team;
d) Adequacy of the Business Case;
e) Clarity of needs identification;
f) Challenge of affordability and value for money assumptions;
g) Commercial structure of the proposed procurement;
h) Adequacy of cost and risk estimation at various project stages;
i) Adequacy of technical specification at various project stages;
j) Level of outstanding technical, commercial and financial issues at various stages through a procurement process; and
k) Derogations from standard project commercial documentation.

In the case of Non-Profit Distributing (NPD) projects with part Government funding, the Project Team is mandated to follow through on recommendations of Key Stage Reviews as a condition of funding. This gives a good deal of certainty that key recommendations of the validation review at stages through the project development will be acted upon by project owners.

2. Benefit Quantification Using Optimism Bias

[2] http://www.hm-treasury.gov.uk/data_greenbook_supguidance.htm#Optimism_bias_OB

The HM Treasury methodology for estimating optimism bias states that:

> *"There is a demonstrated, systematic, tendency for project appraisers to be overly optimistic. To redress this tendency appraisers should make explicit, empirically based adjustments to the estimates of a project's costs, benefits, and duration."*

The guidance quantifies contributors to this optimism separately from general project risk contingencies. Each contributor represents a factor that has been demonstrated across a range of completed projects to lead to outcomes (in time or cost) less advantageous than had been predicted at the outset. The implementation of robust external validation will have a significant mitigating effect on a number of these contributors.

HM Treasury Guidance provides an estimate as a percentage of the capital cost of projects for the maximum and minimum level of optimism bias across different types of project (standard and non-standard building projects and standard and non-standard civil engineering projects). Experience across a wide range of projects is that often project teams undertake internal mitigations strategies that reduce the level of optimism bias to approximately half way between the maximum and minimum percentage values from the guidance.

SFT has considered the range of contributing factors to optimism bias listed in the guidance, and the likely impact of external validation in mitigating these factors. The impact on some factors (eg „adequacy of the business case" where a review will provide detailed comment) is likely to be high whereas for others (such as the impact of „poor intelligence" on ground conditions where a validation exercise will have a passing consideration on processes undertaken) will be significantly lower. Other areas such as the complexity of design are inherent in the project and cannot be impacted at all by validation. Annex 1 of SFT 2009-10 Benefits Statement details our consideration of the impact of validation on individual contributing factors to optimism bias.

Applying the mitigating effect of validation to the likely optimism bias level following project team mitigation gives an overall percentage of capital cost benefit most likely to be attributable to external validation.

Many projects validated by SFT are also subject to other central validation such as Gateway Review, or internal peer review within the procuring organisation. We therefore attribute 33% of the overall benefit of validation to the SFT process.

The following table shows in columns 2 and 3, the upper and lower bounds of likely project optimism bias for different types of project taken from the HM Treasury Guidance. Column 4 shows the likely level of optimism bias following internal project team mitigation. Column 5 is taken from Annex 1 of SFT 2009-10 Benefit Statement and shows the percentage by which validation should reduce the optimism bias in column 4. Column 6 therefore shows the percentage of overall capital cost benefit attributable to external validation, and column 7, the percentage attributable to SFT key stage review validation.

	Optimism Bias % Capital Expenditure		Post internal mitigation	Validation Mitigation		SFT Validation
	Upper	Lower	50%		Validation Impact	Impact
Standard Buildings	24	2	13%	27%	3.5%	1.2%
Non-Standard Buildings	51	4	27.5%	24%	6.6%	2.2%
Standard Civil Engineering	44	3	23.5%	21%	4.9%	1.6%

Non-standard civil engineering	66	6	36%	26%	9.3%	3.1%

Table 1

The above level of benefits reflects the full scope of SFT's Key Stage Review validation process. On some projects, SFT will not be involved from the early Outline Business Case stage, or may be asked to undertake a one-off review. In such cases, the potential benefits of the validation input would be reduced. SFT's conservative estimate is that the benefit of validation should be reduced by 25% if a substantially complete scope of reviews has been undertaken, 50% if an incomplete suite of reviews is undertaken, and 75% if only a one-off review is undertaken. The benefit of SFT's external project validation, as a percentage of a project's capital cost is therefore estimated as:

	Full Scope	Substantial scope	Partial	One-off
Standard Buildings	1.2%	0.9%	0.6%	0.3%
Non-Standard Buildings	2.2%	1.6%	1.1%	0.5%
Standard Civil Engineering	1.6%	1.2%	0.8%	0.4%
Non-standard civil engineering	3.1%	2.3%	1.5%	0.8%

Table 2

To reflect the fact that SFT has a different level of direct involvement in the actual delivery of individual projects, the validation percentages in Table 2 above are multiplied by the following factors to reflect SFT's role in project delivery.

Separate Delivery Body	SFT's role restricted to independent validation	1.0	e.g. Forth Replacement Crossing
Support Delivery Body	SFT supports delivery and provides validation	0.5	e.g. hub Projects
Self Delivered Project	SFT takes a leading role in delivery and undertakes validation as part of an internal assurance function.	0	NHT Projects

Table 3

Whilst SFT does not recognise any financial benefit from the validation of self delivered projects it fully recognises that undertaking such reviews reflects best practice and is a key management tool in helping secure successful outcomes for infrastructure projects.

These figures ignore factors not considered in optimism bias such as those listed below and is therefore considered to be a robust minimum value for the benefit of external validation:

- Enhanced competition – brought about through the confidence given to market participants by a trusted validation process, and the commercial fine-tuning possible through external review by commercially experienced parties;
- Tautness of financing terms (if applicable) – delivered through ongoing review and market benchmarking in the final stages of negotiation;

- Reduced procurement cost and timescale – delivered through an external scrutiny process at relatively close intervals during the critical structuring and procurement phases of the project where specification, affordability and value for money issues often lead to delays.

Relevant comparators of VfM delivered by validation include:

- Department of Health review showing: "For the financial year 2006-2007, vfm assessments were carried out on 11 major projects and programmes where a Department of Health Gateway Review had been carried out. A vfm benefit of £173 million was identified which is about 4% of the total whole life costs of the projects of £4.28 billion"[3]
- Office of Government and Commerce Value for money reviews have confirmed that average cost avoidance of 3-5 per cent are being achieved when best practice recommendations from review reports are implemented[4]
- OGC Press Release[5]: Gateway Reviews: the value for money gains from Gateway Reviews in 2003-04 is £730 million. Over 850 reviews have been completed covering in excess of 500 projects and programmes since the process started in February 2001. Gateways are reviews of procurement projects and programmes carried out at key decision points by a team of experienced people, independent of the project team. A total of 119 separate departments, NDPBs and agencies have had a Gateway review of their medium, high-risk or mission critical projects and programmes.
- NAO Report – Improving Public Services Through Better Construction "applying the Gateway Review scrutiny process to construction programmes and projects. Gateway Reviews in particular, have generally assisted clients and their professional advisers in identifying and addressing the risks to, and opportunities for, successful delivery."

OGC "Gateway Reviews for Low Risk Projects" - OGC undertook sixteen pilots on "high risk" projects with an overall value of some £3 billion. These reviews produced added value benefits of 5% for a cost less than 0.1%. The pilot projects demonstrated that the Gateway Review Process can produce significant added value benefits to Departments" projects.

[3] http://www.dh.gov.uk/en/Aboutus/Procurementandproposals/Projectmanagement/DH_081530

[4] http://epress.anu.edu.au/anzsog/imp/mobile_devices/ch17s04.html

[5] http://www.ogc.gov.uk/7023_4247.asp

F1 – Operational Projects Support

Benefit Ref:	F1
1. Title:	Operational Projects Support
2. Description:	The basis for this benefit is examining ways in which the public sector can manage existing PPP contracts in a more efficient manner to realise savings and to raise awareness of existing contract provisions which allow the local authorities to generate savings. SFT provides support to the public sector in relation to operational PPP projects, by facilitating workshops and seminars and follow up advice/support. SFT provides training sessions for project managers on contract terms and practical project issues. In addition, in 2010/11 SFT carried out a review of operational PPP contracts to assess what savings could be generated. 22 public bodies covering in excess of 50 PPP contracts were contacted as part of the review and from this SFT entered into dialogue with 10 bodies. We have identified that improvements in contract management will realise savings for many public bodies, have developed a proposal regarding a shared service approach to contract management and have commenced the implementation of a pilot of this approach in South East Scotland.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** A total benefit of £250,000 per annum was quantified in the 2009/10 statement, of which 50% was recognised in that year and a further 50% was expected to be realised in 2010/11. **2009/10 & 2010/11 Benefit Quantification Realisation:** It was recognised in 2010/11 that a greater intervention from SFT was required in order to realise benefits in this area, but that the benefits realisable from this intervention were greater. We have estimated that once improved contract management arrangements are in place that a saving of £5.5m per annum is realisable over a period of 25 years. This equates to a benefit of £132m. However we have reduced the confidence factor down to „D" and modified the phasing over which work will be done to realise these benefits so as to reflect that further intervention is required to deliver these benefits.
4. Sharing:	50% of this benefit is attributable to SFT, 50% to the public bodies managing the contract.
5. Confidence:	D – Moderate (Confidence rating for 2009/10 was C – Good)
6. Phasing:	10% - 2009/10 15% - 2010/11 60% - 2011/12 15% - 2012/13

G1 – Waste – Procurement Timetable Benefits – Avoided Disposal Costs – Other than Clyde Valley

Benefit Ref:	G1
1. Title:	Waste – Procurement Timetable Benefits (Avoided Disposal Costs) - GCC residual, CEC/MLC residual, Ayrshires residual &CEC/MLC food waste projects
2. Description:	The basis for this benefit is avoiding the public sector incurring larger than necessary waste disposal costs through helping reduce the risk of delay to the procurement timetable. SFT has undertaken a range of measures to promote accelerated project delivery and help reduce the risk of delays to project commencement. This has included project validation at key milestones and promoting market stakeholder consultation to identify promptly any potential sources of delay to projects. The benefit identified here is the avoided disposal costs associated with reduced risk of delay to the procurement timetable. The avoided advisory costs associated with the reduced risk of delay to the procurement timetable are identified separately in A13.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** Since the 2009/10 Statement of Benefits, matters out with the control of local authorities and SFT (primarily the development of Scottish waste policy and regulation) have caused one of the three projects being supported by SFT during 2009/10 (GCC residual, CEC/MLC residual, Ayrshires residual) to stop and start afresh and the other two to revisit their planned service commencement date and procurement timetable. It is, however, still a valid assumption that without the range of interventions and project support from SFT the overall procurement timetable for these projects could be up to 6 months on average longer than necessary. Updating the assumed cost saving of waste treatment over „business as usual" (the waste disposal costs that would otherwise be incurred, i.e. landfill gate fee plus landfill tax) based on the most recent WRAP Gate Fee Report, a revised saving of £3.50/t (as opposed to £5/t, which was assumed for the 2009/10 Statement of Benefits) has been adopted. This is based on the summation of the mid-point for landfill in Scotland (£26/t) plus landfill tax at contract award (£80/t) and subtracting the current market estimate for incineration (£102.5/t) = £3.50/t The residual waste treatment capacity being procured by each of Glasgow City Council (GCC) and Edinburgh/Midlothian Councils (CEC/MLC) is still of the order of 150ktpa, whereas the residual waste treatment capacity required by the Ayrshire Councils is now more likely to be in the range of 90ktpa. £3.50/t * 150,000t/yr * 0.5yrs = £262.5k £3.50/t * 90,000t/yr *0.5yrs = £157.5k The value and timing of previously stated benefits needs to be revised as follows:

	GCC (Residual)	CEC/MLC (Residual)	Ayrshire (Residual)
Benefit	£262.5k	£262.5k	£157.5k
Years of creation	2009/10 to 2011/12	2009/10 to 2012/13	2009/10 to 2012/13
Years of delivery	2014/15	2017/18	2017/18

2009/10 & 2010/11 Benefit Quantification Realisation:

During 2010/11, SFT has also supported the CEC/MLC Joint Food Waste Project and the Clyde Valley Joint Residual Waste Project. The Clyde Valley Project benefits are reported separately (see A14, A15, G3). Assume that SFT"s interventions will also help reduce the out-turn procurement timetable for the CEC/MLC Joint Food Waste Project by up to 6 months.

The WRAP Gate Fee Report 2010 suggests a gate fee of £57/tonne for treatment of food waste via anaerobic digestion. The facility being procured by CEC/MLC will have a capacity to treat c.20ktpa of the Councils" food waste. Using the same "business as usual" cost for landfill disposal as has been assumed for residual waste treatment projects (£26/t landfill gate fee + £80/t landfill tax), the forecast saving per tonne of treatment over disposal = ((£26/t + £80/t) - £57/t) = £49/t. This equates to a saving of (£49/t * 20,000t/yr * 0.5 yrs) = £490,000.

The phasing for these avoided disposal costs is set out below.

	CEC/MLC (Food)
Benefit	£490k
Years of creation	2010/11 to 2011/12
Years of delivery	2014/15

Total estimated benefit over 2009/10 to 2010/11 (prior to phasing adjustment) = 2* £262.5k + £157.5k + £490k = **£**1,172.50k

4. Sharing:	SFT – 50%, local authorities – 50%
5. Confidence:	C – Good – Plans are in place to deliver – 75%
6. Phasing:	20% attributable to 2009/10 30% attributable to 2010/11 30% attributable to 2011/12 20% attributable to 2012/13

G2 – Waste – Service Cost Benefits (Reduced Gate Fees) – Other than Clyde Valley

Benefit Ref:	G2
1. Title:	Waste – Service Cost Benefits (Reduced Gate Fees) - GCC residual, CEC/MLC residual, Ayrshires residual &CEC/MLC food waste projects
2. Description:	The basis for this benefit is avoiding the public sector incurring larger than necessary waste disposal costs through helping secure lower gate fees for future waste treatment contracts. SFT has undertaken a range of measures to help secure affordable and value-for-money gate fees for both residual and food waste treatment projects. These include the promotion of effective competition through realistic aspirations for project scope, contract structure and commercial terms based on recent market precedent, scoping the project to maximise third-party revenue opportunities (including the sale of heat and power), and exploring alternative funding and financing options. SFT has also helped to create and promote an environment where bidders can deliver a solution that realises better economies of scale.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** Since the 2009/10 Statement of Benefits matters out with the control of local authorities and SFT (primarily the development of Scottish waste policy and regulation) have caused one of the three projects being supported by SFT during 2009/10 (GCC residual, CEC/MLC residual, Ayrshires residual) to stop and start afresh and the other two to revisit their planned service commencement date and procurement timetable. It is, however, still a valid assumption that without the range of interventions and project support from SFT the out-turn gate fee secured by individual local authorities without any form of central support would be higher that it need be. The 2009/10 Statement of Benefits assumed the achievement of a 4% reduction in gate fee compared with the mid-point gate fee for incineration taken from the WRAP Gate Fee Report 2009 (i.e. 4% of £104/tonne). (This in line with benefit E2 which cites the OGC position that value for money reviews have confirmed that average cost avoidance of 3-5 per cent are being achieved when best practice recommendations from review reports are implemented.) The mid-point from the WRAP Gate Fee Report 2010 has dropped slight to £102.50/tonne, therefore an equivalent reduction in future benefits has been assumed. The residual waste treatment capacity being procured by each of Glasgow City Council (GCC) and Edinburgh/Midlothian Councils (CEC/MLC) is still of the order of 150ktpa, whereas the residual waste treatment capacity required by the Ayrshire Councils is more likely to be in the range of 90ktpa. £4.1/t * 150,000t/yr = £615k/yr £4.1/t * 90,000t/yr = £369k/yr The value and timing of previously stated benefits needs to be revised as follows:

	GCC (Residual)	CEC/MLC (Residual)	Ayrshire (Residual)
Benefit	£615k/yr	£615k/yr	£369k/yr
Years of creation	2009/10 to 2011/12	2009/10 to 2012/13	2009/10 to 2012/13
Years of delivery	25 years, commencing 2014/15	25 years, commencing 2017/18	25 years, commencing 2017/18

2009/10 & 2010/11 Benefit Quantification Realisation:

During 2010/11, SFT has also supported the CEC/MLC Joint Food Waste Project and the Clyde Valley Joint Residual Waste Project. The Clyde Valley Project benefits are reported separately (see A14, A15, G3). As above, assume that for the CEC/MLC Joint Food Waste Project SFT"s interventions will help reduce the out-turn gate fee by 4%.

The WRAP Gate Fee Report 2010 suggests a gate fee of £57/t for treatment of food waste via anaerobic digestion. The facility being procured by CEC/MLC will have a capacity to treat c.20ktpa of the Councils" food waste. 4% of £57/t = £2.28/t. £2.28/t * 20,000t/yr = £45,600/yr.

The phasing for these benefits is set out below.

	CEC/MLC (Food)
Benefit	£45.6k/yr
Years of creation	2010/11 to 2011/12
Years of delivery	15 years, commencing 2014/15

Total estimated benefit over 2009/10 to 2010/11 (prior to phasing adjustment) =

£615k/yr x 25 yrs (GCC) + £615k/yr x 25 yrs (CEC/MLC (Residual) + £369k/yr x 25 yrs (Ayrshires) + £45.6k/yr x 15 yrs (CEC/MLC (Food)) =

£15.375m (GCC) + £15.375m (CEC/MLC (Residual) + £9.225m (Ayrshires) + £0.684m (CEC/MLC (Food))

= £40.659m

4. Sharing:	SFT – 50%, local authorities – 50%
5. Confidence:	C – Good – Plans are in place to deliver – 75% for all projects
6. Phasing	20% - 2009/10, 30% - 2010/11, 30% - 2011/12, 20% - 2012/13

G3 – Waste – Reduced Gate Fees – Clyde Valley

Benefit Ref:	G3
1. Title:	Waste – Service Cost Benefits (Reduced Gate Fees) - Clyde Valley residual waste project
2. Description:	The basis for this benefit is promoting collaboration between local authorities to help the secure lower gate fees for future waste treatment contracts. SFT has undertaken a range of measures to help secure affordable and value-for-money gate fees for both residual and food waste treatment projects. These include the promotion of effective competition through realistic aspirations for project scope, contract structure and commercial terms based on recent market precedent, scoping the project to maximise third-party revenue opportunities (including the sale of heat and power), and exploring alternative funding and financing options. SFT has also helped to create and promote an environment where bidders can deliver a solution that realises better economies of scale.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** N/A – No benefits were reported under this heading for 2009/10. **2009/10 & 2010/11 Benefit Quantification Realisation:** During 2010/11, SFT was invited to support the Clyde Valley Strategic Waste Initiative of which the Joint Residual Waste Project is a major work stream. SFT has been promoting collaboration between the 6 local authorities within the Clyde Valley who do not as yet have access to residual waste treatment capacity. The objective is to aggregate tonnages and secure economies of scale in the procurement of treatment capacity. Working with the local authorities in the Clyde Valley and Zero Waste Scotland, the potential to realise more efficient delivery arrangements for the treatment and disposal of residual waste within the Clyde Valley has been identified. This work was documented as part of a wider report presented to local authority CEOs and Council Leaders in November 2010 on a range of joint waste initiatives, some others of which were also supported by SFT. This initial report will be subject to further detailed analysis in 2011 before procurement of any new works and services commences. The report identifies potential efficiency savings across a number of service areas including residual treatment, collection, dry recyclates, organics, and procurement costs, as well as the possible creation of a new delivery body. Whilst the overall efficiency gain from this range of initiatives has been estimated at up to £21m pa, for the purpose of quantifying this benefit, SFT has, at this early stage, focused solely on the forecast benefits from the residual waste project and has used the same efficiency profile for residual waste treatment as per the report. Whilst SFT has supported other work streams in the Clyde Valley Strategic Waste initiative it is considered prudent to focus solely on the joint residual waste project at this early stage.

<table>
<tr><td></td><td>The efficiency profile for residual waste used in the report is as follows:
<table><tr><th>Cost avoidance (£m (nom)</th><th>14/15</th><th>15/16</th><th>16/17</th><th>17/18</th><th>18/19</th><th>19/20</th><th>20/21</th><th>21/22</th><th>22/23</th><th>23/24</th><th>24/25</th></tr><tr><td>Residual</td><td>£4.5m</td><td>£6m</td><td>£11.2m</td><td>£10.9m</td><td>£10.6m</td><td>£10.3m</td><td>£9.8m</td><td>£9.3m</td><td>£8.8m</td><td>£8.3m</td><td>£7.8m</td></tr></table>Years of creation of benefit: 2010/11 to 2012/13
Total estimated benefit over 2009/10 to 2010/11 = £97.5m</td></tr>
<tr><td>4. Sharing:</td><td>SFT, local authorities and Zero Waste Scotland – 33.3% each.</td></tr>
<tr><td>5. Confidence:</td><td>D – Moderate – Discussions on going to put plans in place – 55%.</td></tr>
<tr><td>6. Phasing:</td><td>The creation of this benefit will be spread over three years: 10/11, 11/12, 12/13 on an equal basis.</td></tr>
</table>

G4 – Budget Recast – Initial Benefit Identification

Benefit Ref:	G4
1. Title:	Budget Recast (Initial)
2. Description:	The basis for this benefit is the review of inflation assumptions in historic budgets in order to identify headroom in those budgets arising from the recent deflation in the construction market thus allowing: departments to benchmark "on budget" performance against a revised datum; focusing project managers minds on "on or below" budget performance against the revised datum; and subsequently improving budget planning and allocation across the portfolio. SFT undertook a commercial review of the inflation assumptions included within the Education, Health and Justice budgets and by establishing the corresponding pattern of construction inflation/deflation identified budget efficiencies. A challenge process was put in place to review budgets where this efficiency was identified. This commercial approach in many ways reverses the norm in recent years where projects may have bid for additional funds or used contingencies to cover higher than expected inflation. A total reduction of £116m was identified, broken down as follows: Health Programme (£54m): Justice Programme (£25m): Schools for the Future Programme (£37m): The above sums are fed into the budget management and planning process in Departments, and will allow other priority projects to be planned and then proceed, which otherwise would not be the case.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** Not applicable **2009/10 & 2010/11 Benefit Quantification Realisation:** Therefore benefit = £79m for capital funded projects. £37m capital saving to revenue funded projects which is equivalent to a £3.083m reduction in the annual unitary charge. Savings are assumed to be accrued over the following timescales: 1. Capital: 2011/12 - 2014/15 – assuming an even spread. 2. Revenue: 2013/14 - 2037/38 - annual saving on UC over 25 year contract life
4. Sharing:	Percentage share attributable to SFT – 50%
5. Confidence:	C – Good - Plans are in place to deliver the benefit but some third party commitment remains outstanding and/or significant stages remain outstanding to deliver the anticipated benefit. – 75%

6. Phasing	Work attributable in: 2010/11 – 90%, 2011/12 – 10%

G5 – Asset Management

Benefit Ref:	G5
1. Title:	Asset Management.
2. Description:	The basis for this benefit is creating an environment and support function to reduce the cost of operating and maintaining the public sector property estate. The opportunity for SFT to work alongside central government and other public sector bodies delivering services to improve property and estate asset management and realise efficiencies. **1. Local Civil Estate** In 2010/2011 SFT undertook a pilot study using the public sector authorities operating in the south east hub territory to assess ways of improving property and estate asset management. The pilot study identifies the size of the opportunity to be in the range £130m to £280m over a five year period. The delivery of this benefit can be realised through a number of work streams which have been identified by the study. These activities will rely on the public sector bodies in that area working together in a collaborative manner and focusing on achieving the stated goals. The pilot project proposed that this scale of opportunity can be factored across the country – i.e. across all five hub territories – suggesting a potential overall benefit in the order of £1bn. **2. Central Government Core & Wider Estate** In 2010/2011 SFT undertook strategic development work to develop proposals to deliver enhanced value from centrally held land and assets. The work which examined ways of improving asset management identifies the size of the opportunity to be as follows: Within the core estate – annual savings of potentially up to c£12m (lower estimate based on 40% floor plate reduction) and avoidance of backlog maintenance capital spend of £5m. Within the wider government estate – annual savings of potentially up to c£16m (lower estimate) and avoidance of backlog maintenance capital spend of c£14m.
3. Quantification:	**2009/10 Benefit Quantification & Realisation:** N/A – No benefits were reported under this heading for 2009/10. **2009/10 & 2010/11 Benefit Quantification Realisation:** **1. Local Civil Estate** The realisation of financial efficiencies in property and estate management in the local civil estate is likely to start low and then ramp up over the five year period. During 2011/2012 a similar diagnostic assessment and benefits case approach as conducted for the south east hub territory will be rolled out across the four other hub territories. Whilst the pilot study in the south east hub territory identified the size of the opportunity to be in the range £130m to £280m over a five year period, for the purpose of this benefit SFT has assumed a modest target saving of £100m for each hub territory rolled out on a phased basis and split between capital and revenue to give an aggregate benefit for the local civil estate of £500m for all 5 hubs (50%)

<table>
<tr><td></td><td>
of the £1bn extrapolated from the pilot study. The assumed £100m profile for each hub territory is:
<table>
<tr><td>Capital</td><td>£5m</td><td>£5m</td><td>£10m</td><td>£20m</td><td>£25m</td></tr>
<tr><td>Revenue</td><td>£2.5m</td><td>£5m</td><td>£5m</td><td>£10m</td><td>£12.5m</td></tr>
</table>
It is assumed that this benefit profile will kick-in for the south east hub from 2011/12, with each of the four other hubs phased in on a 12 month basis.

<u>2. Central Government Core & Wider Estate</u>

Within the core estate – annual savings starting at say c£1m pa in 2013/14, ramping up to c£12m from 2017/18. (Based on a lower estimate of 40% floor plate reduction) and avoidance of backlog maintenance capital spend of £5m over the first 3 years.
<table>
<tr><td></td><td>13/14</td><td>14/15</td><td>15/16</td><td>16/17</td><td>17/18</td></tr>
<tr><td>Capital</td><td>£1m</td><td>£2m</td><td>£2m</td><td>0</td><td>0</td></tr>
<tr><td>Revenue</td><td>£1m</td><td>£2m</td><td>£3m</td><td>£6m</td><td>£12m</td></tr>
</table>
It is assumed that the £12m pa is a recurring saving.

Within the wider government estate – annual savings starting at £2m pa, ramping up to c£16m (lower estimate) and avoidance of backlog maintenance capital spend of c£14m over the first 4 years.
<table>
<tr><td></td><td>13/14</td><td>14/15</td><td>15/16</td><td>16/17</td><td>17/18</td></tr>
<tr><td>Capital</td><td>£1m</td><td>£2m</td><td>£3m</td><td>£8m</td><td>0</td></tr>
<tr><td>Revenue</td><td>£2m</td><td>£3m</td><td>£5m</td><td>£6m</td><td>£16m</td></tr>
</table>
It is assumed that the £16m pa is a recurring saving.

Total estimated benefit over 2011/12 to 2019/20 = £1.362bn (Refer to profile in excel calculations sheet for further detail).
</td></tr>
<tr><td>4. Sharing:</td><td>50% SFT and others relevant partners.</td></tr>
<tr><td>5. Confidence:</td><td>D - Moderate</td></tr>
<tr><td>6. Phasing:</td><td>2010/11 (5%), 11/12 (35%), 12/13 (30%), 13/14 (10%), 14/15 (10%), 15/16 (10%)</td></tr>
</table>

G6 – NPD Programme "needs not wants" Challenge

Benefit Ref:	G6
1. Title:	NPD Programme "needs not wants" Challenge
2. Description:	The basis for this benefit is providing a cost challenge function to securing savings. SFT has taken a cost challenge role across the NPD programme to ensure that the scope and specification of projects is commensurate with the challenging economic climate and is truly addressing the needs and not wants of procurers and asset users. This role focuses on the individually procured NPD projects as the hub DBFM projects are subject to separate challenge functions. It is also not applicable for the borders railway project which is already in procurement. Early evidence from the Colleges and Sick Children"s hospital projects is that this challenge is leading to a reduced budget allocation whilst continuing to meet the policy objectives of projects through: • Reductions in contingency and optimism bias allocations (which would historically have been absorbed in project outturn costs); • Fixed budget reductions to promote challenging value engineering during competitive dialogue through the use of "negotiable" and "non-negotiable" requirements; • Specific challenge on space allocations through healthcare planner input in the acute health sector; • Specific challenge on elements of specification and space included in budgets in the colleges projects as evidenced through SFT"s Decision Point responses. This challenge is in its early stages but evidence to date indicates that 10% capital cost reductions across the programme are a realistic estimate at this stage. The challenge will be delivered for each project prior to it entering procurement. During 10/11 the framework for the challenge was established, with SFT team members undertaking initial reviews of early projects in the pipeline.
3. Quantification:	The projects on which this function will be performed are: • Glasgow colleges project £200m • Inverness and Kilmarnock colleges projects £100m • Royal Hospital for Sick Children / DCN project £250m • Acute health sector projects £300m • M8 and AWPR roads projects £720m At this stage the estimation of the benefit relating to the needs not want

	challenge has been restricted to the current estimated value of the colleges programme and the Sick Children / DCN project (£550m). As it is not yet clear what the scope of the needs not wants challenge will be on the transport projects and as the current acute health programme is still at an early development stage no benefits have been included from either the transport or acute health programmes. The total value of projects to be challenged is therefore £550m. 10% overall capital cost savings are envisaged, leading to a commensurate unitary charge reduction. The level of benefit delivered in practice will be tracked and updated as the challenge progresses.
4. Sharing:	50% attributable to SFT, 50% to the procuring Authority that will have to procure and deliver to the challenging budgets set.
5. Confidence:	D – Moderate
6. Phasing	10% in 2010/11, 60% in 2011/12, 30% in 12/13

ENDS