

Scottish Futures Trust Statement of Benefits – 2010/11 Summary

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

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

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

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

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

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

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

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