



The Benefits of SFT's Work

2013 - 2014

SCOTTISH
FUTURES
TRUST

Impact of SFT's work

15,000
jobs

When complete, TIF projects will support 15,000 jobs

84%
hub project value

84% of hub project value delivered by SMEs

£1.14bn
hub projects

hub projects in development, under construction or open totals £1.14bn

£6bn
added to local economy

When complete, AWPR to add £6bn to local economy

1180
homes

Contracts signed for 1,180 affordable-rent NHT homes

£300m
through TIF

£300m public money will attract £1.3bn of private investment through TIF

£600m
EIB finance secured

£600m EIB finance secured

13,750
pupil visits

hub programme supporting 13,750 pupil visits

6,000
pupils

First 14 schools open benefitting 6,000 pupils

70%
reduced energy use

LED street lighting reducing energy use by 70%

£139m
benefits

£139m of benefits secured during 2013/14

£20m
saved

Over £20m saved through innovative hub DBFM v-f-m financing

Introduction

'To improve the efficiency and effectiveness of infrastructure investment in Scotland by working collaboratively with public bodies and industry, leading to better value-for-money and ultimately improved public services'.

That was SFT's aim when it was formally established in 2009. Five years on, the aim remains as relevant as it was then, with SFT driving forward wide and varied programmes of public sector infrastructure that will impact positively on economic growth, the environment, employment and communities across Scotland.

As well as securing greater benefits, SFT aims to ensure environmental, social and economic sustainability are addressed in the early stages of project development, and does this through the following:

1. Economic Growth

Investment in infrastructure is a key economic driver and is often described as the 'engine room' of economic growth. Attracting additional investment to further stimulate the economy that helps create and protect jobs as well as improving the lives of communities across Scotland remains a key objective for SFT.

Additional investment

SFT has three major operational additional investment programmes - Non-Profit Distributing (NPD), Tax Incremental Financing (TIF) and the National Housing Trust (NHT). These combine to more than £3 billion of additional public investment over and above existing budgets.

These programmes have a catalytic effect on the private sector with, for example, the NPD funded Aberdeen Western Peripheral Route expected to add £6 billion to the local economy five years after completion.

The NPD programme of investment remains the most significant programme of additional investment, leveraging some £2.58 billion into Scottish infrastructure, with private financing being repaid from future revenue budgets. On a per capita basis, it is one of the largest investment programmes of its type in Europe with the Scottish Government, in April 2014, extending the NPD programme by an additional £1 billion.

**AWPR to add
£6 billion to local
economy**

The first NPD funded project, the Aberdeen Health Village delivered through the hub programme is operational and further NPD projects valued at £750 million are under construction, with the majority of remaining projects in the latter stages of procurement. As part of this work, SFT engages with a wide range of financiers in order to secure the best value debt investment.

Value-for-money financing

With 18 hub Design, Build, Finance, Maintain projects planned to start construction later this year across 13 local authorities and five NHS Board territories, SFT recognised the potential savings to be made and led and organised a financing competition to achieve the best collective deal.

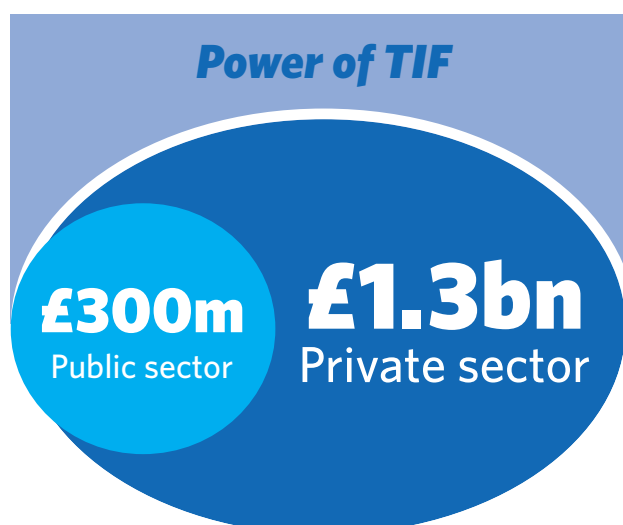
The competition led to Aviva and Nord LB being selected as preferred funders for the projects across the five hub territories. As a result of SFT's work, it is expected that savings of over £20 million will be achieved across the 18 projects.



Whilst European commercial banks continue to be lenders to long-term infrastructure projects, there is now a growing number of insurance companies and pension funds who are attracted to the stable, long-term income that infrastructure projects can generate. An increasing number of opportunities are being identified to work with niche funders such as the Green Investment Bank who specialise in funding low carbon projects.

SFT brought TIF to Scotland (its first application in the UK) as a variation on the finance regeneration structure used in the United States. Two TIF projects in Glasgow and Falkirk, valued at £140 million have started construction, with further work planned to start on the Ravenscraig, Fife and Argyll & Bute projects during 2014/15. Such is the power of the TIF investment multiplier that for the public sector's £300 million, a further £1.3 billion of additional private sector investment is expected to be delivered.

The NPD programme is proving attractive to contractors, investors and funders, with £600 million already agreed for investment by the European Investment Bank (EIB). An agreement has been reached with the EIB to invest £600 million in Scottish projects, of which £250 million has already been committed.



The NHT programme is an award-winning and innovative funding mechanism for the delivery of affordable-rent housing. To date, contracts have been signed to build over 1,180 homes valued at over £170 million, with no grant subsidy. This significant additional investment has shown the way for innovative housing delivery, bringing Scottish Government, local authorities, Registered Social Landlords and private developers into co-operative arrangements across Scotland.

Further programme of additionality are being developed in other areas of SFT's business that span across street lighting spend-to-save measures, self-funding energy efficiency initiatives, as well as using surplus assets to fund new investment.

SFT's street lighting initiative is supporting Scottish economic growth with collaboration between Scottish Enterprise and Resource Efficient Scotland. SFT is also facilitating the launch of a research and development procurement competition to encourage Scottish businesses to develop energy efficient retrofit solutions for street lighting.



European Investment Bank (EIB)

EIB is owned by European Union member states and SFT has succeeded on gaining EIB's support to invest in large NPD projects. EIB's western Europe lending team prioritises its resources and looks for well organised and properly structured projects.

Combined with that of various procurement teams, SFT's work has paid off with EIB lending to Glasgow College and the M8/M73/M74 motorway improvements with commitments for further investment into the Edinburgh Royal Hospital for Sick Children, the Aberdeen Western Peripheral Route and the Dumfries & Galloway Royal Infirmary.

"EIB is committed to supporting crucial investment that stimulates economic growth and improves lives in Scotland. We recognise the importance of ensuring project readiness and are pleased to work closely with SFT to enable quality projects to reach financial close."

"Our close collaboration has helped to deliver investment such as construction of the new City of Glasgow College and completing the M8 motorway link between Glasgow and Edinburgh. We look forward to building on this strong co-operation to deliver new hospitals, transport infrastructure and other flagship investment projects across Scotland."

Jonathan Taylor,
European Investment Bank Vice President
responsible for Scotland.

2. Communities

Improved outcomes for communities are achieved, not just by the projects themselves, but by the way in which they are delivered. Completed projects have allowed:

- Public services to be delivered to communities in a more joined up way with health and social care co-locating across many hub projects – so far, 18 have been completed, 26 are in construction and 50 more are in development
- Teaching and learning to be delivered in new and uplifting schools through the Scotland's Schools for the Future programme – as a result of SFT's work in managing the programme, 12,000 more pupils will benefit from being taught in new and inspiring schools
- Over 1,000 people being able to continue to live in their communities thanks to the NHT programme delivering affordable-rent housing in high-cost housing areas



"CITB continue to support SFT in maximising community benefits through procurement across all five hubs. To date three hubs have successfully adopted CITB's National Skills Academy for Construction Status, and have Project Skills Coordinators to ensure all community benefit targets are achieved."

Phil Ford, Skills Strategy Manager, CITB-ConstructionSkills

Community-based infrastructure

SFT leads on the delivery of the hub programme which operates across five geographical territories in Scotland. In each territory, the participating public bodies have appointed a private partner to form a new joint venture company (known as a hubCo) to deliver a diverse pipeline of community-based infrastructure projects valued at £1.8 billion over the next 10 years.

Each hubCo takes a strategic, long-term planning approach to the identification of its infrastructure requirements to support the delivery of community services. hub provides a mechanism for delivering and managing assets more effectively, with continuous improvement leading to better value-for-money, which are measured through detailed key performance indicators. While projects are mostly new buildings, they can also include refurbishment and asset management services of existing infrastructure.

Community Partnership of the Year Award

The delivery of projects increasingly involves communities as stakeholders. As an example, at The Lasswade Centre in Midlothian that was delivered through the Scotland's Schools for the Future programme, nearly £8 million of construction work was awarded to firms with a Midlothian postcode, and 93% of the construction value was spent within a 50 mile radius of the school. Work carried out by SFT and its partners on The Lasswade Centre was recognised at the Scottish Property Awards in February 2014, with SFT picking up 'Community Partnership of the Year.'

The Lasswade Centre stood out as a worthy winner due to the numerous community benefits being delivered - a secondary school, a community library, a town hall, a 25m leisure pool, a specialist gymnastics centre, varied sports facilities, a crèche, a community cinema and café all under one roof and all open to the public.

Opportunities for SMEs

Local employment opportunities for SMEs in each of the five hubCos' supply chains are included as a key performance indicator in the hub programme. SFT has recently reviewed a number of tendered projects valued at £157 million, and the analysis identified that 86% of tendering opportunities were offered to local and national SMEs. The value of projects currently under construction amount to more than £275 million, with 84% of the construction value being delivered by Scottish SMEs, supporting approximately 2,500 jobs.

hub
supporting
2,500
jobs

84% of
construction
value delivered
by SMEs

As a further example, the Glasgow Learning Quarter (GLQ), the consortium appointed to build the two campuses for City of Glasgow College, is actively engaged with local contractors to maximise opportunities for SMEs and social enterprises through advertising appropriate sub-contracts at a local level through, for example, the Glasgow Business Portal. To date, approximately 75% of works packages have been awarded to SMEs.

4. Employment

SFT's activity generates many opportunities to create employment, either directly through construction or through longer-term opportunities that completed projects bring when operational. In the last four years, projects being delivered through the hub and NPD programme have created 164 new construction related jobs and the TIF pilot projects are projected to create over 15,000 resultant job opportunities across a range of industry sectors including retail, leisure, renewables and education.

Using Scottish Government's statistical data, a conservative estimate is that every £1 million of spend in the construction industry has the potential to support 14 jobs and deliver an extra 70% of indirect investment in the local economy. The current hub pipeline, on its own, is worth £2 billion over the next ten years, which, using this metric has the potential to support on average 2,800 jobs each year.

Furthermore, across the hub programme, each hubCo is required to record and drive enhanced community benefits through new infrastructure investment.

Generating new jobs

NPD projects currently in construction have provided 11 new apprenticeships and 17 new jobs. These figures will rise significantly over the next two years as the level of investment through the programme increases significantly.

A vital element of GLQ's winning bid was the opportunity to create strong, local, economic benefits. Construction of the two college campuses will support a total of 700 jobs over the construction period – 200 employed directly by the main contractor and 500 through its supply chain. During construction, GLQ is also committed to providing around 170 new jobs plus 40 new apprenticeships, as well as creating 200 weeks of work experience placements, training and qualification opportunities.

**TIF projects
to create
15,000 jobs**

170

NEW JOBS



34

New graduate places



110

New apprentice places



4. Training

The Scotland-wide hub programme includes firm requirements and key performance indicators for delivering training opportunities and apprenticeships. In addition, each NPD project has a community benefit clause that also seeks similar commitments. For the year ahead, SFT has the following NPD business objective: ***'To achieve industry benchmarks for apprenticeships by securing commitment from contractors to at least 190 apprenticeship opportunities.'***

Creating new training opportunities

SFT is supporting the development of a street lighting

apprenticeship programme which will run for the first time in 2014/15. The Scotland-wide hub programme supports development and training opportunities that forms part of each hubCo's continuous improvement programme and detailed method statements set out how each hubCo will deliver the level of training required for each new project.

To date, NPD projects under construction have provided 255 days of work placements and as with the employment figures highlighted earlier, these will rise significantly as further projects start construction.



5. Environment

High-quality sustainable design is supported by SFT throughout the development of projects and programmes with, for example, community health buildings being built to meet BREEAM 'excellent' and schools being designed to EPC B+.

SFT's low carbon work is supporting the roll-out of LED street lighting technology that reduces energy consumption by up to 70%.

Further examples of SFT's low carbon work are outlined under the following work streams:

Low Carbon and Energy Efficiency

SFT is working with a number of strategic partners to reduce carbon emissions arising from the delivery of public services. SFT and the Society of Chief Officers of Transportation in Scotland have developed a street lighting toolkit and engaged with all 32 Scottish local authorities in encouraging the toolkit's application to their street lighting assets. The strategy has already led to significant cost savings and carbon emission reductions.

SFT's Non-Domestic Energy Efficiency pathfinder projects have identified that delivering energy efficiency programmes in the following areas will be central to meeting carbon emission reduction targets:

- Refurbishment of schools
- Retrofit upgrades to buildings and their services for acute hospitals and the broader NHS Scotland estate

SFT envisage that the knowledge developed from working in these sectors will be applicable to carbon reduction in the wider public sector estate, and that guaranteed energy savings approaches are of strategic importance to delivering these benefits.

New street lighting technology reduces energy use by 70%

District heating has been identified by Scottish Government as a key priority for reducing both carbon emissions and alleviating fuel poverty. By establishing its new district heating capability this year, SFT is now supporting organisations to develop business cases in collaboration with the Heat Network Partnership and its members.

NPD

The NPD programme is enabling improvements in the quality and sustainability of infrastructure in sectors such as education, health and transport. The City of Glasgow College's NPD project, for example, will see eleven legacy buildings replaced by two BREEAM 'excellent' facilities, thereby improving both space utilisation and the learning environment for students.

NHT

Modern building standards have led to SFT's NHT programme having a significant impact on the provision of affordable-rent housing in Scotland compared to existing housing stock. Up to one third of the 1,000 plus homes to be built will be served by district heating schemes, making a modest contribution towards meeting Scottish Government's target of 40,000 homes to be heated by district heating by 2020.

40,000 Scottish homes to be heated by district heating by 2020



hub

Energy efficiency remains a priority for Scottish Government, local authorities, local health boards and blue light emergency services. This drive to improve energy efficiency is translated into the public sector setting out prescriptive energy standards for the five hubCos to deliver against. These energy standards include defined BREEAM and EPC ratings for new primary health care or schools projects.

The ability to procure energy efficient buildings which offer value-for-money is a complex task. Issues such as construction practices, site specific requirements, change in building use, change in occupancy and control systems, as well as the behaviour of owner/occupiers all have a major impact. Early engagement by the hubCos and their public sector

partners allows energy strategies for new buildings to be agreed early and refined through the development process. This expertise and project specific approach applied by each hubCo, supports the objective of procuring energy efficient buildings within the hub programme.

Schools

The Scotland's School for the Future programme has already delivered schools of award winning innovative design, creating excellence in learning environments. The high standards of energy performance inherent in the latest BREEAM excellence and specification of B+ Energy Performance Certification, combine to provide a strong basis for new schools' carbon and energy performance to surpass that of the best in the legacy estate.

6. Quantifying our benefits

For the past five years, SFT has sought to capture the financial benefit of its work. The principles and methodology behind the adopted approach to calculate a monetary figure are set out in SFT's original [Statement of Benefits 2009/10](#). The methodology includes a provision to revisit previously reported benefits in terms of the assumptions and dependencies, confidence level, the percentage attributable to SFT and the year(s) in which the benefit is forecast to be delivered; revising each benefit, up or down as appropriate.

For the 2013/14 financial year, SFT secured £139.7 million of net future benefit to infrastructure investment in Scotland through its various activities; this is an increase on the £132.1 million reported by SFT for 2012/13 and represents a 22:1 benefit to cost ratio for SFT. Cumulatively, SFT's work has secured over £640 million of savings and benefits.

Back-up information and further details on each individual benefit is available from the following document - Benefits Statement 2013/14 - [Supporting Material](#).

Each of these individual benefits feed into a spreadsheet which is used to determine the financial benefit position and is available here - [Benefits Statement 2013/14 - Calculations](#).

This work has been independently validated by Grant Thornton LLP and the London School of Economics.

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