



SCOTTISH
FUTURES
TRUST

2015/2016 Business Plan

April 2015

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Key business objectives for 2015/16

SFT invest

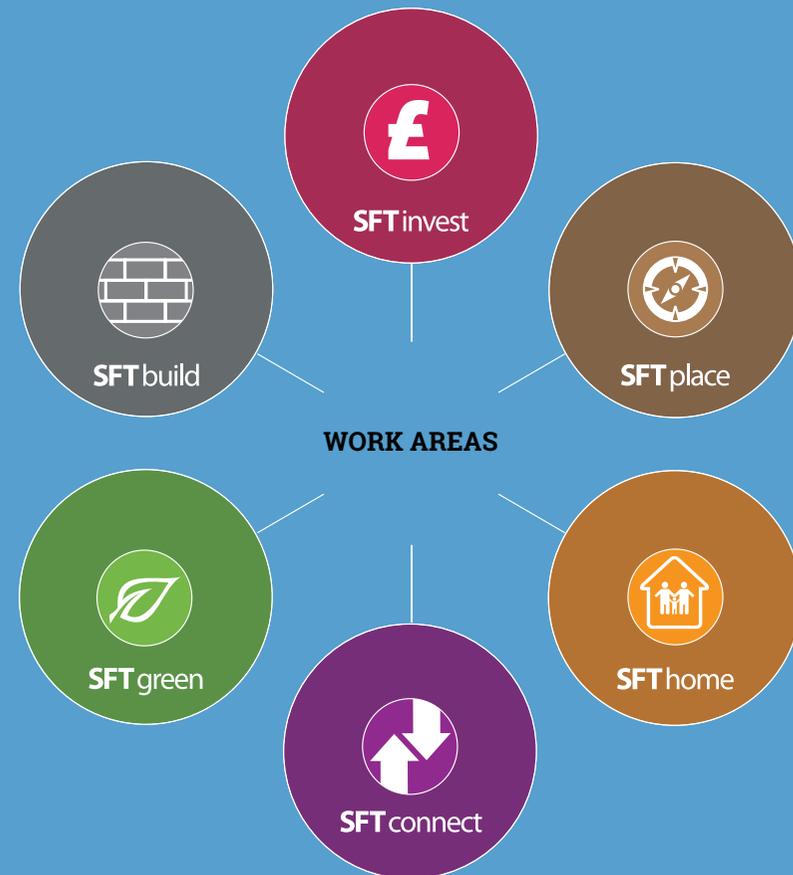
- Develop new approaches to infrastructure and housing investment within the additional flexibility of borrowing powers set out in the Smith Commission Report
- Complete construction and achieve occupation of two Non Profit Distributing (NPD) college facilities – Inverness College and the Riverside College Campus in Glasgow
- See construction start across all Tax Incremental Financing projects and a cumulative public sector investment of £25m to have been made
- See activity commence on the St James Quarter under the Growth Accelerator
- Continue to develop the NPD programme, reinforcing alignment with recent and emerging European accounting regulations

SFT place

- Enable and support additional office transformation projects across the public sector, collectively targeting efficiency savings of over £50m per annum
- Support NHS Boards on the delivery of their surplus property programmes targeting over 20 assets being brought to market and secure £20m of capital receipts
- Review 10 operational Public Private Partnership projects to improve performance and identify savings

SFT green

- Lead the public sector work stream within the Low Carbon Infrastructure Transition Programme, working collaboratively with partners to develop low carbon projects and maximise low carbon investment
- Encourage councils currently not planning significant investment in their street lighting to evaluate whole estate upgrade and retrofit solutions utilising SFT's advanced Toolkit
- Provide support to strategic district heating initiatives focussing on commercially viable procurement strategies and financing structures



SCOTTISH
FUTURES
TRUST

SFT connect

- Support cities and public sector bodies to develop their long-term digital infrastructure delivery strategies
- Support Scottish Government in the delivery of their programme of Public Access wireless projects across Scotland
- Building on the infrastructure delivery road map, make recommendations to Scottish Government on the delivery approach to achieving their World-Class digital infrastructure vision

SFT home

- Support the existing 26 joint venture companies across the National Housing Trust (NHT) and NHT Council Variant programmes
- Enter into joint ventures with successful bidders under the latest phase of NHT procurement for the provision of at least 300 further homes in Edinburgh
- Work with SFT's asset management team to identify possible opportunities for using public sector surplus land to stimulate affordable housing

SFT build

- Manage the £1.1bn Scottish Government budget within the £1.8bn Scotland's Schools for the Future programme
- See construction start on 20 more schools
- Deliver SFT-led implementation measures to meet the recommendations of the Construction Procurement Review
- Have hub projects valued at £1.2bn either under construction or completed with over £2bn of live projects in the hub system

Key milestones during 2014/2015

- The Non Profit Distributing programme being extended by a further £1bn, increasing its value to £3.5bn
- The largest project in the NPD programme reaching financial close in December 2014 – the £469m Aberdeen Western Peripheral Route – with construction underway
- SFT winning ‘Grantor of the year’ at the Infrastructure Journal Global Awards
- Publication and roll out of SFT’s advanced Street Lighting Toolkit supporting up to £180m of investment in LED lanterns from 2014/15 through to 2018/19
- NHT welcoming its 1,000th tenant
- Construction starting on over £1.15bn worth of new revenue funded projects supporting 6,000 jobs
- The Scotland’s Schools for the Future programme increasing from 67 to 93 schools
- Introduction of the new Growth Accelerator unlocking £850m of private sector investment into the heart of Edinburgh
- Construction starting on two major NPD health projects – the £150m Royal Hospital for Sick Children in Edinburgh and the £213m Dumfries & Galloway Royal Infirmary
- Huge progress being made across digital demonstrator projects, including providing housing association tenants with broadband for £1 per week
- Establishment of Scottish Government’s Smarter Workplaces programme
- Being invited to lead the implementation of the practical recommendations of the Construction Procurement Review

NON-PROFIT
DISTRIBUTING
PROGRAMME

Extended by a further £1bn

▲ **£3.5bn**



NHT WELCOMING
ITS 1,000TH TENANT

1,000 

NUMBER OF SCHOOLS
IN PROGRAMME
INCREASING FROM
67 TO 93

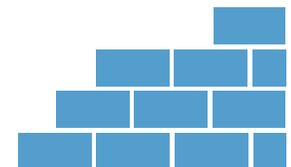
▲ **93**

Grantor
of the Year
2015



6,000 jobs

SUPPORTED BY £1.15BN
OF NEW PROJECTS IN
CONSTRUCTION



The role of SFT

SFT's mission is *'to improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value for money and improved public services'*.

To meet this mission SFT focuses its activities around three core areas:

Innovation

Doing things differently to improve outcomes

Collaboration

Working together with public bodies to improve efficiency

Additionality

In times of constrained finance doing more over and above capital budgets

These activities support the development of world class infrastructure in Scotland and enables long-term sustainable economic growth.

To meet its challenging business objectives SFT has built a dedicated and ambitious team of 68 professionals, the majority of whom come from the private sector and bring with them their extensive commercial expertise in infrastructure financing, procurement and delivery into the heart of the public sector.

A core skill of the SFT team is their ability to challenge and, where necessary, take bold action, changing the status quo in order to bring about greater efficiencies and unlock economic growth. This is achieved through the team's ability to devise and implement innovative approaches to infrastructure investment.

“to improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value for money and improved public services”.

OUR MISSION SINCE 2009

How SFT operates

SFT's Board

SFT is directed by an experienced Board which has seven members – a non-executive chairman, four non-executive directors, and two executive directors; SFT's Chief Executive and its Deputy Chief Executive and Director of Investments. The list of named Board members is available on SFT's [website](#).

SFT's people

As at 31 March 2015 SFT employed 68 members of staff in full-time and part-time positions.

SFT prides itself on creating a stimulating environment that allows staff to reach their potential and fulfil their ambitions and ensures it does all it can to retain its exceptional people. Such has been the success of SFT's efforts that during 2014/15, the staff retention rate was 97%.

SFT's work streams

SFT's work streams are grouped together under six broad headings - SFT invest - SFT build - SFT green - SFT home - SFT place - SFT connect.

Whilst set out individually, many of SFT's work streams overlap leading to greater efficiencies. For example, a new school being built within the Scotland's Schools for the Future programme may be funded through the NPD initiative and delivered through the hub programme.

Further work stream connections are possible if the new school is to be built as part of the local asset management plan where a number of public bodies are collaborating and co-locating their community-based services onto the same site. Additionally, when built and open, the new facility will use much less energy than the building it is replacing, thereby impacting positively on the low carbon and energy efficiency agenda.

A summary of the procurement routes and sectors across the revenue funded NPD programme is set out in Annex A.

SFT'S LEADERSHIP TEAM



Barry White
Chief Executive



Peter Reekie
Deputy Chief Executive and
Director of Investments



Tony Rose
Infrastructure Director



Christa Reekie
Commercial Director



Colin Proctor
Asset Management Director



Vivienne Cockburn
Director of Corporate Services
and Low Carbon



Fiona Ogg
Human Resources Manager

Securing additional investment

Economic growth

Where there are significant cuts to infrastructure budgets it is clear that attracting and securing long-term additional investment over and above traditional capital is important to bolster and stimulate economic growth. Importantly, this work protects jobs in the construction industry.

SFT's work in attracting additional investment is predominantly channelled through four work streams – the Non-Profit Distributing (NPD) programme; the Tax Incremental Financing (TIF) initiative; the National Housing Trust (NHT) programme and more recently through the use of the Growth Accelerator.

Collectively, these programmes are bringing in nearly £4bn of additional investment, making Scotland's infrastructure programme the largest of its type across Europe.

Further investment

The Scotland Act 2012 came into force on 1 April 2015 giving Scotland borrowing powers for capital expenditure. In November 2014, [The Smith Commission](#) recommended that the Scottish Government should be granted sufficient borrowing powers to support capital investment, and that consideration should be given to the merits of undertaking such action via a prudential borrowing regime. This increased flexibility would bring about new opportunities to effectively finance, deliver and manage Scottish infrastructure assets.

With these new powers, SFT is looking forward to working with its public and private sector colleagues to explore the best funding and financing solutions for projects in pursuit of its overall objective of securing the best possible value for money across infrastructure investment in Scotland. This will provide opportunities to invest in new ways.

COLLECTIVELY, SFT'S PROGRAMMES
ARE BRINGING IN

£4,000,000,000

OF ADDITIONAL INVESTMENT
MAKING SCOTLAND'S
INFRASTRUCTURE
PROGRAMME THE LARGEST
OF ITS TYPE ACROSS EUROPE.



Securing better outcomes

Jobs

The work of SFT generates many opportunities to create employment, either directly through construction or through longer-term opportunities that completed projects bring once operational. Over 12,000 jobs are being supported during the various construction phases of projects within the current hub and NPD programmes, and the TIF and Growth Accelerator programmes are predicted to create over 15,000 resultant jobs across a range of industry sectors including retail, leisure, renewables and education.

Training

Construction projects delivered through the Scotland-wide hub programme include key performance indicators for delivering training and apprenticeships, and each NPD project has a community benefit clause that makes similar commitments.

As part of SFT's work in implementing the delivery aspects of the Construction Procurement Review, new guidelines on community benefits, including training and jobs, will be consulted on and issued.

Environment

High-quality sustainable design is supported by SFT throughout the development of the projects and programmes it manages with, for example, new buildings being built to meet 'BREEAM Excellent' and designed to a high level of energy performance.

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

Communities

Through adopting a 'place based' approach across neighbourhoods and towns, public buildings are being developed and managed in a more strategic and collaborative manner enabling the delivery of broader public benefits for communities.



TIF and Growth Accelerator programmes are predicted to create over 15,000 resultant jobs across a range of industry sectors.

ENERGY USE



REDUCTION IN ENERGY
CONSUMPTION WITH
LED STREET LIGHTING

CONNECTIVITY

4G

MOBILE CONNECTIVITY
TO THE ISLAND
COMMUNITY OF COLL

COMMUNITIES



Place Based Approach

BRINGS BENEFITS FOR
COMMUNITIES ACROSS
SCOTLAND

Connectivity

Improved digital connectivity can enhance business opportunities, public service provision and social inclusion. SFT's Demonstrating Digital pilot projects have made this possible through the provision of 4G mobile connectivity to the island community of Coll, and affordable broadband provision to social housing residents in Glasgow.

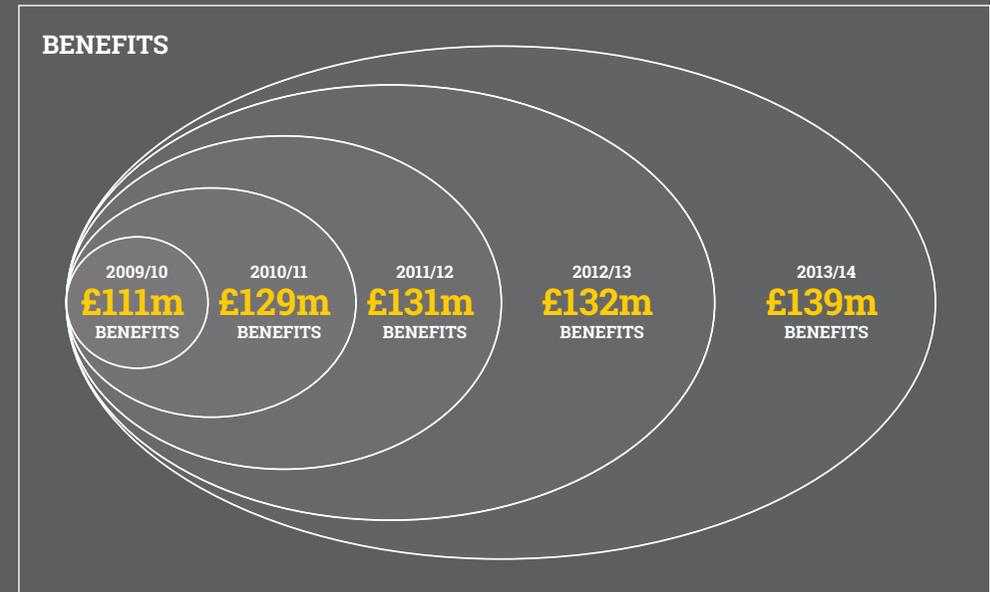
Benefits

As an independent company with all shares owned by the Scottish Government, SFT is set a challenging target of achieving £100m to £150m of efficiency savings and benefits each year.

Since publishing its first Statement of Benefits in 2010, SFT's cumulative savings and benefits now amount to over £640m. During the current 2014/19 Corporate Plan period, SFT will seek to secure a further £500m-£750m of benefits and savings.

Practical examples of additional benefits can be seen across SFT's work streams, such as:

- Within the Scotland's Schools for the Future programme where five schools are being built for the price of four, allowing 12,000 more children to attend new schools
- £200m innovative investment being made in the award winning National Housing Trust programme which is supporting many hundreds of construction jobs
- Highly competitive international finance being secured into the NPD programme resulting in record low financing costs
- TIF and the Growth Accelerator enabling £310m of additional planned public investment to unlock a further £2.2bn of private investment



SFT's partners

Collaboration

SFT's vision is 'world class infrastructure for the people of Scotland'. With that focus SFT's objectives are only achievable through working in partnership with its many partners in the public and private sectors. Successful collaboration delivers considerable leverage and SFT will continue to place tremendous importance on strengthening the relationships it has nurtured and built with its various stakeholders.

SFT will continue to seek, broker and implement new approaches for collaboration between public bodies across industry sectors and regions for the greater benefit of communities throughout Scotland.

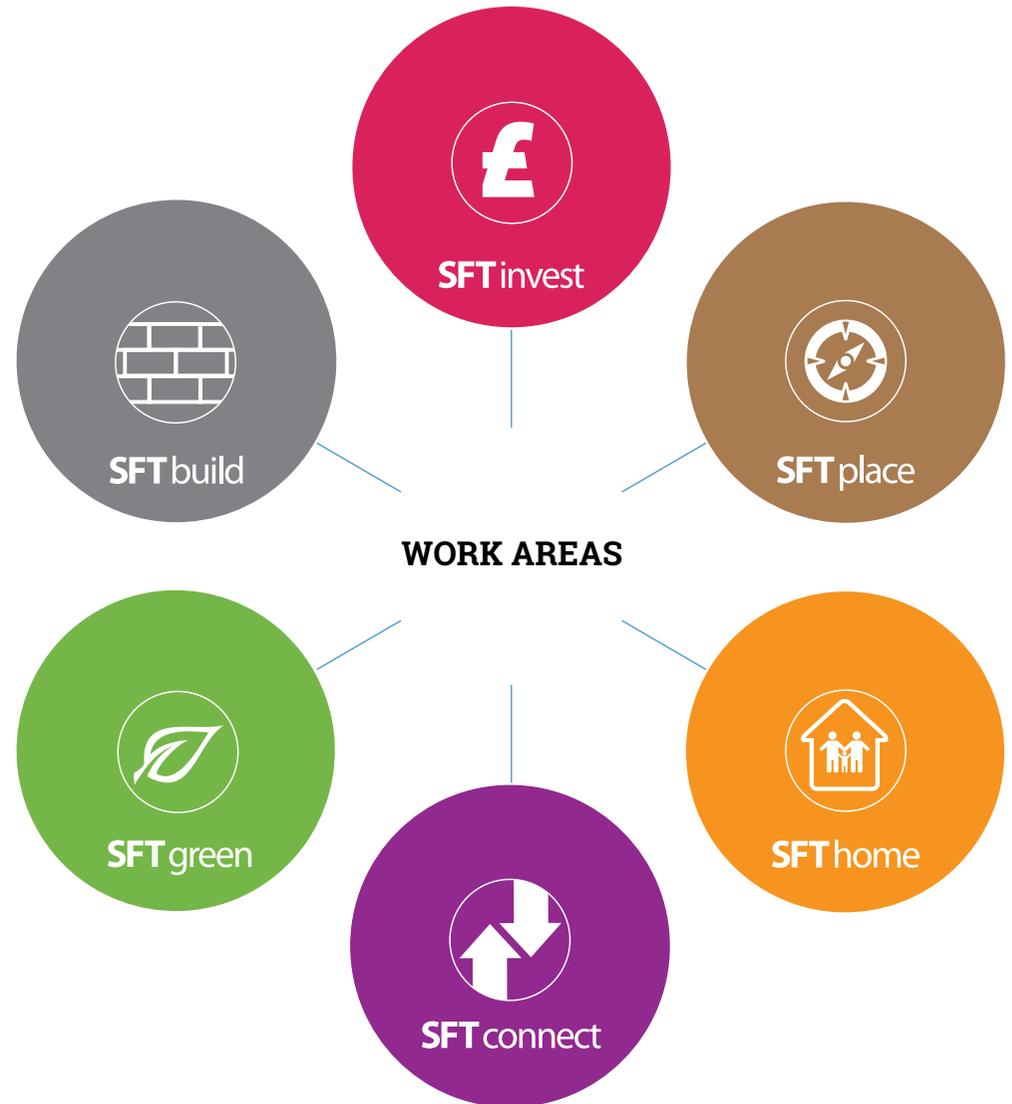
“world class infrastructure
for the people of Scotland”

OUR VISION

SFT's work areas

SFT's varied work streams have been grouped together under the following six broad work areas:

- **SFT invest**
Non Profit Distributing and Economic Investment
- **SFT place**
Asset Management and Operational PPP Contract Management
- **SFT green**
Low Carbon, Energy Efficiency and District Heating
- **SFT connect**
Digital - World-Class, Demonstrating Digital and Public Wireless Programmes
- **SFT home**
National Housing Trust and NHT Council Variant
- **SFT build**
hub, Scotland's Schools for the Future and Construction Procurement Review



SFT invest

Non Profit Distributing

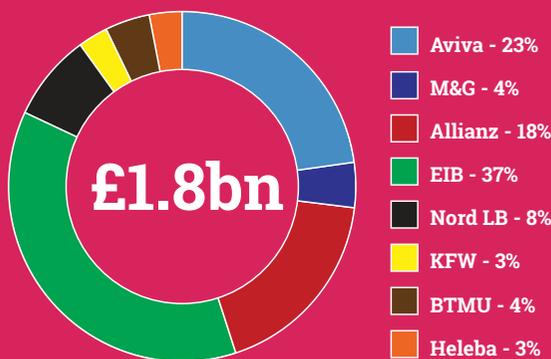
The £3.5bn Non Profit Distributing (NPD) initiative remains as one of the largest infrastructure investment programmes of its type in Europe. Speed of procurement and better value-for-money finance have both continued to improve on historic performances.

The NPD programme is delivering additional investment over and above constrained capital budgets, bringing forward construction and delivering modern infrastructure to support the economy, help the environment and improve social outcomes.

Across the NPD programme of major projects and revenue funded hub projects, at the end of March 2015, £1.8bn of projects were in construction. These included the recently signed contracts for the £469m Aberdeen Western Peripheral Route and two large new hospital facilities – the £150m Royal Hospital for Sick Children and Department for Clinical Neurosciences for NHS Lothian and the new £213m Royal Infirmary for NHS Dumfries & Galloway. A number of NPD programme facilities are now open from where improved health and community services are being delivered.

SFT continues to focus its attention on securing the best value-for-money finance across the NPD and hub revenue funded programmes and does this by engaging with a wide range of UK and international banks and institutions. A breakdown of the main funders is illustrated below

Funders



SFT supports all NPD and revenue funded projects under the hub initiative by carrying out Key Stage Reviews (KSRs). In carrying out this function, SFT works with project teams, contributes at board level and takes a leading role in programme financing to add value and confidence to the long-term viability of the projects.



Construction of Edinburgh's Royal Hospital for Sick Children underway

Building a new NPD funded hospital adjacent to an existing PFI hospital was never going to be straightforward.

Early work by SFT and NHS Lothian to secure a separation of the site from the adjacent Edinburgh Royal Infirmary PFI project took time at the outset of project development but was essential to deliver value for money and give confidence that the procurement would proceed at pace.

SFT's simplification of the process and commercial expertise supported this procurement, and strong bidder competition delivered a final contract price under the construction cost cap set at the outline business case stage.

As a result, in February 2015 the £150m Royal Hospital for Sick Children and Department of Clinical Neurosciences and Child and Adolescent Mental Health Service reached financial close allowing construction to start, with it due to open in autumn 2017.

"Our work with Scottish Futures Trust has helped bring forward investment into the Lothians and has allowed construction to start on this state-of-the art hospital, which will support many hundreds of local jobs as it is built."

"We are confident that this deal offers value for money for NHS Lothian and our partners. We look forward to seeing the new hospital taking shape over the coming years and opening in autumn 2017."

Susan Goldsmith
Finance Director
NHS Lothian

SCOTTISH FUTURES TRUST

For this 2015/16 Business Plan period, SFT will build upon its successes by delivering the objectives in the extended NPD programme of projects; manage the investment portfolio for hub Design, Build, Finance and Maintain (DBFM) projects; and, consider alternative options for infrastructure investment including the use of Scottish borrowing powers. SFT will continue to engage with the Office for National Statistics to conclude discussions on aligning the NPD and hub programmes with new European technical guidance.

Business objectives for 2015/16

- Complete construction and achieve occupation of two NPD college facilities – Inverness College and the Riverside College Campus in Glasgow
- Reach preferred bidder stage and progress towards financial close on the new hospital and health care facility in Orkney
- Move at least two new NPD projects announced in October 2014 into procurement
- Develop new approaches to infrastructure investment within the additional flexibility of borrowing powers set out in the Smith Commission Report
- Manage the NPD programme's long-term affordability in line with Scottish Government's 5% cap
- Achieve industry benchmarks for training and recruitment and achieve sustainable community benefits for all projects through contractual commitments
- Work with procuring authorities to implement recommendations of the Construction Procurement Review on new NPD projects
- Invest in all hub DBFM projects and manage investment portfolio to deliver target returns through SFT Investments
- Continue to develop the NPD programme, reinforcing alignment with recent and emerging European accounting regulations

SFT will continue to engage with private finance markets to monitor movements and test financing options for major projects. In particular, SFT's focus will be to sustain market interest from the wide range of international commercial banks, institutional funders, junior debt providers and the European Investment Bank, all of which are active in the NPD programme.

Building on the vast experience gained from managing the programme, SFT is sharing lessons learned with procuring authorities whose new NPD projects are being developed along with the Welsh Government as they develop their pipeline of revenue funded projects.

Innovative financing gets Aberdeen Western Peripheral Route underway

The Aberdeen Western Peripheral Route is the largest single project within the NPD programme and will bring substantial benefits to the whole of the north east of Scotland. The road stretches 58km and crosses two rivers, a railway line and four major pipelines.

This significant project attracted strong market competition and international investment interest. The project secured a low overall cost of funds when it reached financial close in early December 2014 with an innovative financing structure featuring an 'unwrapped' bond with senior debt raised from the European Investment Bank, Bank of Tokyo Mitsubishi UFG and Allianz Global Investors to fund the construction value of £469m.

Under NPD delivery, the road will open earlier than anticipated in winter 2017, reducing congestion, improving journey times and opening links to deliver £6bn of wider economic benefit to the area once completed and open.



Economic Investment

In collaboration with both public and private sector stakeholders, SFT seeks to create the right conditions to generate additional economic investment opportunities across Scotland.

Securing additional investment is achieved by generating the right environment for both the public and private sector to invest, ensuring economic and social benefits are delivered and that the competitiveness of Scotland is enhanced.

SFT achieves this through two of its work streams; the Tax Incremental Financing (TIF) approach which SFT has spearheaded for a number of years, and more recently, by implementing the Growth Accelerator. Both are used as levers to unlock future growth as well as secure benefits at a national, regional and local level, and across both these work streams, public sector investment of £310m is anticipated to unlock an additional £2.2bn over a 10 year period.

The benefits of this work will:

- Improve the economic position of Scotland
- Maximise public sector resources available to deliver additional growth
- Make things happen where they otherwise would not
- Create an attractive environment for the private sector to invest
- Create jobs and training opportunities
- Support, promote and grow new markets and sectors in Scotland

In relation to TIF, SFT will focus its attention on the continued construction of TIF projects. SFT will work closely with its stakeholders to understand and develop realistic timetables and meet key milestones.

SFT will also support The City of Edinburgh Council and Scottish Government move forward into the delivery phase of the St James Quarter, using the Growth Accelerator.

Over and above this, SFT will continue to work closely with Scotland's cities and local authorities to understand and test the wider application of the Growth Accelerator across different sectors, sites and locations. It is envisaged that this will see SFT assist in the further development of at least two more Growth Accelerator projects.

Business objectives for 2015/16

- Construction to have started across all TIF projects and a cumulative public sector investment of £25m to have been made
- Assess the further application of TIF within Scotland beyond the pilot project programme
- See activity commence on the St James Quarter under the Growth Accelerator
- Establish at least two further Growth Accelerator projects
- Continue to explore further new approaches which are capable of delivering economic growth and investment, and which are scalable and replicable



Growth Accelerator unlocks massive city-centre investment

Built in the 1960s at the top of Leith Walk in Edinburgh, the St James Centre incorporates a shopping centre, an office block and a hotel and for a number of years has been regarded as an eyesore with its redevelopment long overdue.

At the start of 2014, SFT, together with Scottish Government and The City of Edinburgh Council developed the new Growth Accelerator to unlock economic growth and investment.

Through close collaboration, the three parties were able to develop an approach which is capable of delivering significant benefits including job creation, new business activity and private sector investment. The Growth Accelerator used on the St James Quarter focuses on the delivery of c.£60m of public sector enabling spend, which in turn will create the right conditions to unlock over £850m of private sector investment, alongside meeting the strategic priorities of the Council to deliver city-centre improvements and regeneration.

During 2015/16, work will start on demolishing the site to create a state-of-the-art leisure destination, boasting 750,000 sq. ft. of retail space, a five star hotel and up to 250 private residential apartments due for completion by 2020.

“The collective effort and commitment to breathe new life into the St James Centre were instrumental in creating this unique investment model in record time. As a result The City of Edinburgh Council will swiftly invest £61m into this very important city-centre regeneration area which will help unlock further investment from the private sector. “Working in partnership with SFT, whose support and advice was crucial along with the Scottish Government, has enabled us to work with the main investor in developing this major site. The benefits to Edinburgh, and Scotland, in terms of employment, commercial and retail opportunities will be huge.”

Dame Sue Bruce
Chief Executive
The City of Edinburgh Council

SFT place

Asset Management

The three asset management work streams which cover the local and central estates and surplus property, are having a positive impact on how Scotland's public sector organisations operate, leading to greater efficiencies, improved business performance and enhanced frontline service delivery.

SFT has been supporting public bodies go through the process of significant organisational change which will continue through this Business Plan period and beyond.

It was agreed in May 2014 that Scottish Government would take responsibility for leading the further development and implementation of the central estate strategy, with continuing challenge and support from SFT. The Smarter Workplaces programme was established to deliver this work.

All public bodies across Scotland appreciate the real need to work differently to reduce overheads whilst improving customer service. A number of SFT-led local authority projects are well underway to help them reshape operational activities as well as deliver cost efficiencies, upwards of £50m per annum.

SFT's early 'New Ways of Working' pilot project involving Midlothian, Clackmannanshire, Renfrewshire and West Dunbartonshire Councils is now one year into operation. Each council has noted the enhanced value to their operational activity brought about by new ways of working, enabled by workplace change.

Across the central government estate, Scottish Government is working on pilot projects in Edinburgh and Glasgow. Several public bodies are reviewing their office portfolios and additional office remodelling projects have also started within the NHS.

A pioneering collaborative asset management initiative with The City of Edinburgh Council and NHS Lothian has helped reshape and energise community plans for Muirhouse and Fountainbridge. This broader collaborative approach will be further developed during this Business Plan period and aligned to the work of other community planning partnerships.

When organisations change how they operate, the opportunity to reshape their property portfolios can present major opportunities. Sales and closing dates of surplus public property are increasing, with high-profile city-centre sites in Glasgow and Inverness on the market and sales of sites in Fife, Lanarkshire and Ayrshire generating income.

In supporting NHS Boards and further education colleges, additional disposals will arise over the year with at least 20 properties identified for disposal. In addition to this, a central public sector surplus property website has recently been launched and can be found at Surplus Public Sector Property in Scotland.

Enabling and supporting enhanced collaborative asset management activity between public sector organisations, aligned to common goals, continues to be a major focus for the programme.



New ways of working delivers benefits in Aberdeen

In collaboration with SFT, Aberdeen City Council developed a bold and dynamic platform to prepare and introduce its new vision to employees which resulted in the Council devising its own Smarter Working brand. Aberdeen City Council worked through SFT's engagement toolkit, adapting and developing it to suit its own organisational culture and values.

The involvement of the Council's human resources team within this process was exemplary, with all levels of staff supported by a variety of workshops and tools. The first phase of activity is nearing completion with fully enabled, efficient and effective workplaces delivered within the Council's key operational sites, including its HQ in Marischal College. A 'second generation' wave of work is planned to deliver further improvements.

"Employee engagement is really important to us, particularly with Smarter Working, which changes the way our offices are utilised. SFT was a key support for contacts and information when researching our approach to culture change which ultimately led to the development of a flexible implementation strategy to support and engage the different teams through the process."

Ewan Sutherland
Acting Director for Corporate Governance Aberdeen City Council

Business objectives for 2015/16

Local

- In collaboration with local public bodies, continue to work towards helping them exceed their five-year £500m savings target in 2017
- Enable and support additional office transformation projects across the public sector, collectively targeting efficiency savings of over £50m per annum
- Develop a shared knowledge platform for public sector organisations involved in office workplace transformation and use this to enhance capacity and improve delivery
- Support the preparation of shared storage projects led by local authorities in three key geographical locations
- Build on recent work to engage more widely with the merged further education college network to assist with developing collaborative approaches to improved asset management

Central

- Continue to challenge and support the Scottish Government as they further develop and implement their Smarter Workplaces programme targeting savings of £28m per annum from 2017
- Support the review of estate management functions across the Scottish Government network towards creating a corporate landlord organisational structure

Surplus

- Support NHS Boards on the delivery of their surplus property programmes targeting over 20 assets being brought to market and secure £20m in capital receipts
- Work with Inverness, City of Glasgow and Kilmarnock Colleges on their property disposals programmes to enable conclusion of sale agreements for key sites



Sale of Glasgow landmarks provide substantial investment opportunities

SFT is providing support to the City of Glasgow College and the Scottish Funding Council (SFC) on the disposal of five sites in Glasgow, due to be vacated in Autumn 2016 when the college moves into new purpose built campus facilities. Four of the disposal sites contain listed buildings and two are in high-profile city-centre locations.

Significant emphasis has been placed on pre-disposal work on the two largest city-centre properties to assess areas of risk and opportunity prior to marketing, working closely with Glasgow City Council and Historic Scotland. Disposal of the sites will deliver financial receipts to the SFC and bring wider regenerative benefits from the re-use of city-centre assets. Marketing of the sites commenced in January 2015 and it is anticipated that preferred bidders will be selected in autumn 2015.

“The City of Glasgow College and the SFC have been working with SFT who have helped shape the disposal strategies and provided assurance to the College Board and SFC in relation to the adopted process, which is aimed at reducing risks and timescales associated with the disposals, maximising market interest and achieving best value.”

Iain Marley
Project Director
City of Glasgow College

Operational PPP

Some of Scotland's essential infrastructure such as hospitals, schools and roads are delivered through Public Private Partnerships (PPP). These assets, valued at over £6bn incur contract payments from public sector budgets that run close to £1bn per annum. These historic contracts are often complex and need active management by the public sector.

Building on the positive momentum of previous years, during 2014 SFT's operational contract management team carried out further in-depth and targeted reviews of education and health projects to identify increased value and savings, estimated to be over £1m per annum recurrent year on year, as well as significant one-off savings.

More recently, SFT has formed a collaborative working arrangement with the NHS to create a specialist team to support all NHS boards in improving PPP contract management, share best practice and drive value on a consistent basis across the country

Business objectives for 2015/16

- Review 10 operational PPP projects to improve performance and identify savings
- Formalise good practice guidance for revenue funded hub and NPD projects
- Lead on at least six collaborative contract management network events in relation to schools and health contracts (PFI/PPP/hub DBFM and NPD)
- Provide feedback to the private sector in relation to their performance of operational PPP contracts

Positive impacts

SFT's reviews of operational projects initially involve detailed analysis of the service aspects of the project documentation which gives a good insight into how well a project is operating.

The desktop review is then followed by SFT visiting the project facilities and spending time with public sector staff who have day-to-day management responsibilities on that project. This approach allows the team to gain a much deeper understanding of how well services are delivered by the private sector. The team also provides hands-on support to the public sector. The following illustrates some of the issues that the team have come across.

Ensuring that facilities are properly maintained

The SFT team often find that facilities are not properly maintained by the private sector contractor. SFT's team works with the public sector to identify the backlog of maintenance and lifecycle works, and then makes sure that these are included in the contractor's maintenance works.

Improving services

On a recently reviewed project, the SFT team found that high level cleaning had not been carried out by the private sector contractor. They reviewed the contract provisions and assisted the public sector in making deductions from payments made to the contractor so as to incentivise them to improve their service delivery. Monitoring is now underway to provide assurance that service levels improve.

The hands-on approach of the SFT team has brought about empowerment of public sector managers, increased awareness of contract terms on the part of the public sector and improved service delivery by the private sector.



" SFT's comprehensive and in-depth review of our PPP contracts identified opportunities for improvement in how we manage these complex and challenging contracts and ensure that they are delivering safe and effective services for our patients.

" The in-depth experience, knowledge and learning provided by SFT colleagues has been captured and transferred to our own staff. This has provided us with the confidence and expertise to deal with these large PPP contracts and ensure that they deliver value for money for the people of Ayrshire & Arran, whilst at the same time improving business relationships with our contractors."

John Wright

Director for Corporate Support Services at NHS Ayrshire & Arran

SFT green

Low Carbon, Energy Efficiency and District Heating

The focus of SFT's Low Carbon, Energy Efficiency and District Heating work stream is to support investment in the public sector estate to contribute to achieving Scotland's Climate Change targets. SFT's work not only generates cost and carbon savings, but also supports local economic development and improves the existing estate for the benefit of all users.

SFT is a member of the Low Carbon Infrastructure Transition Programme (LCITP) which has been established by the Scottish Government to support low carbon investment across the public, private and third sectors within Scotland.

SFT's primary work areas in addition to LCITP are Street Lighting, Non-Domestic Energy Efficiency and District Heating.

SFT's primary work areas in addition to LCITP



Low Carbon Infrastructure Transition Programme

Low Carbon Infrastructure Transition Programme

The LCITP is a project development unit established by Scottish Government to support low carbon infrastructure investment through collaboration and partnership working across Scottish Government, Scottish Enterprise, Highlands & Islands Enterprise, Resource Efficient Scotland and SFT.

Business objective for 2015/16

- To lead the public sector work stream within the LCITP, working collaboratively with partners to develop low carbon projects and maximise low carbon investment



Street Lighting

Across Scotland, there are some 900,000 street lights costing local authorities £41m in annual electricity charges. These street lights also impact on the environment by releasing nearly 200,000 tonnes of CO2 into the atmosphere each year.

With electricity prices forecast by the Department of Energy & Climate Change to increase substantially over the next ten years, it was timely that in February 2015 SFT published its latest Street Lighting Toolkit. The Toolkit is aimed to provide local authorities with the most up-to-date information to enable them prepare robust business cases to invest in spend-to-save measures to phase in new LED lighting. Work to date with local authorities, Scottish Government and Resource Efficient Scotland has already seen committed street lighting investment levels increase from £6.9m in 2013/14 to £30m in 2014/15.

Business objectives for 2015/16

- Encourage councils currently not planning significant investment in their street lighting to evaluate whole estate upgrade and retrofit solutions utilising SFT's advanced Toolkit
- Accelerate the planned investment of £120m for the period 2015 - 2018 through collaboratively developing standard technical solutions, innovation in equipment design and financial options



Council on track to reduce energy use for street lamps by 65%

In 2013, West Dunbartonshire Council took part in a SFT-led pilot exercise to trial and develop an extensive suite of energy efficiency programme support measures. It subsequently became a pathfinder for a Scottish-wide street lighting programme supported by Scottish Government, Scotland Excel and Resource Efficient Scotland. As a result, the Council is now investing £6.5m over the next two years to convert its 17,500 existing street lights to new energy efficient LED street lamps.

Not only will the quality of lighting be improved, but it will also reduce the Council's annual energy costs from £726,000 to £260,000 and halve its street lighting maintenance costs. The project will also reduce the Council's carbon tax liabilities by £37,000 per year.

All equipment including the LED lanterns are being procured using the recently established collaborative equipment framework contract which has been developed as part of the programme.

For West Dunbartonshire Council, the project is predicted to reduce annual electricity consumption by 65% and save over 2,500 tonnes of carbon emissions each year.

In areas where investment has already taken place, local communities are benefiting from a more reliable and an improved quality of light and ongoing Council consultation has identified strong community support for the project.

"This project will cut the amount of electricity we use by 65% and greatly improve the lighting in our communities. It will also fulfil our commitment to reduce carbon emissions by 15% by 2019/2020 and set an example to others in the area."

Cllr David McBride
Vice-Convener of Infrastructure and Regeneration, West Dunbartonshire Council

District Heating

Using district heating as an alternative source to supply heat and hot water to the home can go a long way towards alleviating fuel poverty. As a result, district heating has been identified as a core priority by Scottish Government, with the public sector playing a key role as a facilitator of district heating schemes as well as a significant generator and purchaser of heat.

For the public sector to play its part, SFT is actively supporting the Heat Network Partnership and addressing a wide range of complex issues, including how best to structure the commercial propositions and how to finance the public sector's contribution to these schemes. SFT is currently supporting a number of authorities, including Glasgow City Council, The City of Edinburgh Council and Falkirk Council in the development of district heating initiatives in their areas.

Business objectives for 2015/16

- Provide support to strategic district heating initiatives focussing on commercially viable procurement strategies and financing structures
- Consider innovative financial mechanisms to support the development of schemes where costs may be repaid from future savings and revenue generated



An example of district heating linked to an energy-from-waste plant

[Link to District Heating Video](#)

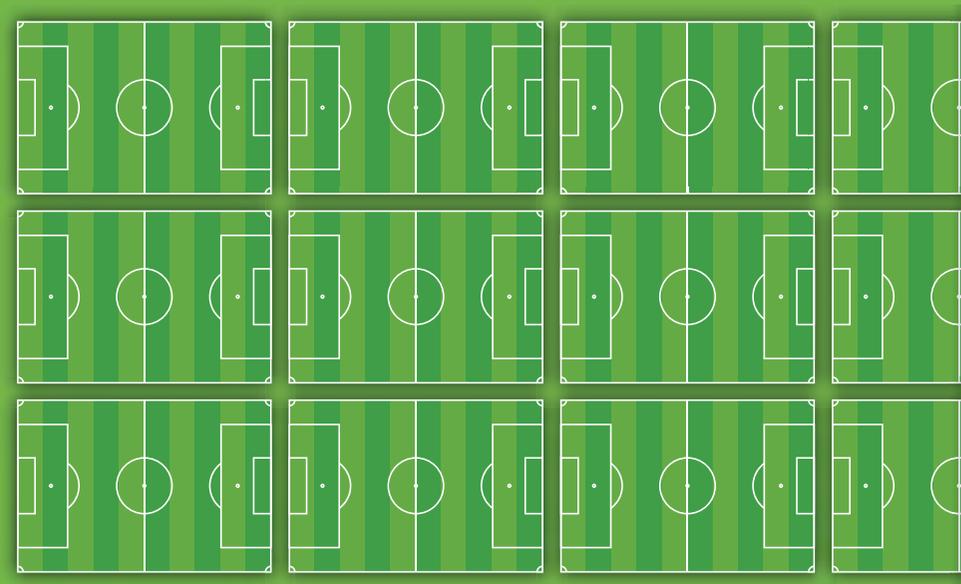
Non-Domestic Energy Efficiency (NDEE)

Given the scale of the Scottish public sector estate (over 19 million square metres – equivalent in size to 4,000 football pitches) an opportunity exists for the Scottish public sector to lead by example in facilitating the implementation of energy efficiency across the public sector, to stimulate the NDEE market and act as a catalyst for retrofit projects across both the public and private sector.

The purpose of SFT's work in this area is to facilitate access to a NDEE commercial framework, with a range of suppliers that meets the breadth of requirements of the Scottish public sector.

Business objectives for 2015/16

- Facilitate the provision of an NDEE framework to deliver energy efficiency investment in 2015-16
- Lead the design of a programme development process for the LCITP to support and promote future NDEE projects
- Support the development of a pipeline of NDEE projects by facilitating the adoption of a strategic approach to NDEE retrofit into two new areas
- Deliver innovative financing and contractual structure solutions to support delivery of a NDEE framework



SCOTTISH PUBLIC SECTOR ESTATE
EQUIVALENT TO OVER 4,000 FOOTBALL PITCHES

19m sq.m

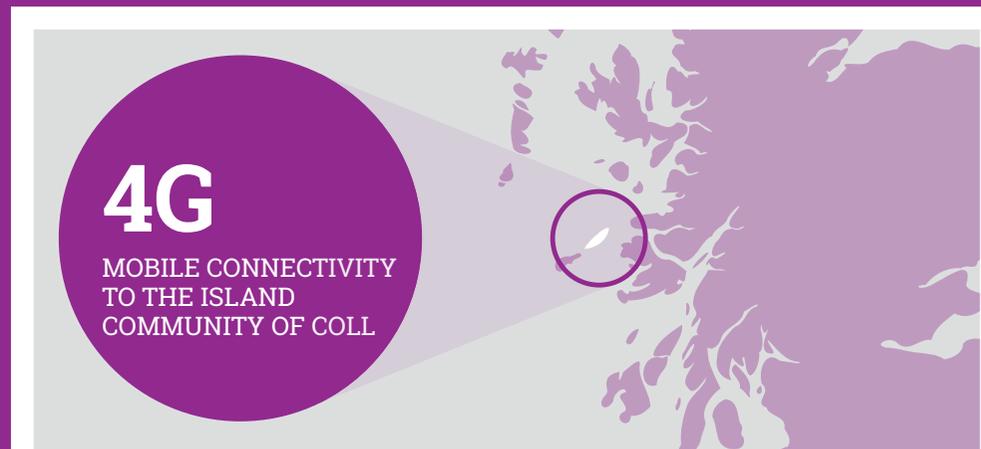
SFT connect

Digital World-Class, Demonstrating Digital and Public Wireless Programmes

SFT has built up a team of experts that work in partnership with industry to ensure the right mechanisms, partnerships and commercial approaches are developed to deliver a world-class telecommunication infrastructure in a practical way.

During the previous 2014/15 Business Plan period, SFT took the lead to develop a roadmap to support the Scottish Government's World-Class digital vision. Building on this road map the team's focus will now shift to developing a programme to enhance infrastructure investment and delivery in Scotland. As part of this, SFT will continue its work with stakeholders to strengthen the robustness of the programme with a view to identifying the most commercially viable approaches that will impact most positively on Scotland's economy and its competitiveness, and address the digital divide.

It is envisaged that wider engagement across the public sector and industry will be key to raising the profile of the World-Class programme to ensure that it fully supports Scottish Government's strategic objectives. New areas of influence will be investigated at a strategic level within UK Government and OFCOM along with the development of further pilot and pathfinder projects to demonstrate the impact of the different approaches being developed.



First Scottish island to have 4G connectivity

Being able to use your mobile phone, no matter where you are, is regarded as a vital element of modern living.

But on the Isle of Coll, the remoteness and rugged landscape of the Inner Hebridean island meant there has never been a mobile reception which impacts negatively on local businesses, the community and tourist trade. The fact that mobile phone operators would not deliver mobile services using their standard business models meant a solution was urgently required.

Working in partnership with numerous stakeholders including Development Coll (a community trust set up to generate income through local enterprise), SFT developed an innovative and long-term solution to their problem with a state-of-the-art telecoms mast (funded by Scottish Government), now owned and maintained by Development Coll, with the mobile network supplied by Vodafone.

Today, the Isle of Coll is the first Scottish island that has 4G mobile coverage which is now opening up many commercial opportunities for local businesses that are taken for granted on the mainland.

Working on this project has enabled SFT to develop an alternative approach that will shape additional work of a similar nature in the future.

"The ability to communicate has a real impact on families and businesses within small, remote communities such as ours, and this project will help to make a big difference."

Lavinia MacLean-Bristol
Chair of Development Coll

Business objectives for 2015/16

- Support cities and other public sector bodies to develop their long-term digital infrastructure delivery strategies
- Stimulate further market interest and engagement by launching a series of pathfinder projects and support their delivery
- Undertake an evaluation of the Demonstrating Digital programme focusing on lessons learned, benefits and impacts which can be used to support the development of wider initiatives
- Closely align the Demonstrating Digital and World-Class programmes to identify and design a series of key interventions to enhance investment in Scotland's infrastructure
- Support Scottish Government in the delivery of their programme of Public Access wireless projects across Scotland
- Building on the infrastructure delivery road map, make recommendations to Scottish Government on the delivery approach to achieving their World-Class digital infrastructure vision



Improving lives for only £1 a week

Providing internet access to social housing tenants is important and improves their access to services and opportunities.

Working with Glasgow Housing Association (GHA) and BT, SFT developed an innovative, commercially viable Wi-Fi prototype that provides internet access for only £1 a week per household, available to tenants living in 138 flats of a Glasgow multi-storey tower block.

To ensure success, SFT worked closely with GHA to develop a novel, low-cost broadband solution within a multi-storey block as a way of increasing internet use.

Expert advice was provided by SFT throughout the procurement process, resulting in the successful delivery of the pilot.

Subsequently, more than 50% of households signed up to take part. Internet access has allowed tenants to improve their IT skills, search for work, reduce fuel and shopping costs by accessing online deals and increase confidence in using online services.

As a result of SFT's pathfinding work, GHA's parent organisation, the Wheatley Group, are looking at how this innovative approach to gain internet access could be adopted more widely in its housing portfolio.

"Digital inclusion is a huge challenge and one which GHA and Wheatley Group is determined to face head-on as part of our vision to make homes and lives better.

"We want to open the door to allow tenants to access training opportunities, jobs, exclusive online deals and our own online services."

Evelyn McDowall

Business Solutions Leader at the Wheatley Group

SFT home

National Housing Trust and NHT Council Variant

During 2014/15, the private housing market recovery continued at pace, with the average house price in Scotland increasing 4.3%(1) on the previous year to £163,563. In addition, the cost of private rented accommodation also continued to climb. This means the availability of affordable-rent homes is as important as ever.

In addressing this, SFT's successful affordable-rent housing initiatives, the National Housing Trust (NHT) and its modified version, the NHT Council Variant, have to-date built and added nearly 900 affordable-rent homes to the national housing supply with a further 445 new homes either under construction or soon to start under NHT. Funding is in place for around 400 more homes under the NHT Council Variant.

Over the coming year, SFT will continue to work with stakeholders to put in place additional innovative solutions to further increase the supply of affordable-rent housing across Scotland, using the least amount of direct public subsidy required to lever-in additional sources of private finance.

Business Objectives for 2015/16

- Support the existing 26 Limited Liability Partnerships (LLPs) across NHT and the NHT Council Variant programmes
- Enter into joint ventures with successful bidders under the latest phase of NHT procurement for the provision of at least 300 further homes in Edinburgh
- Collaborate with private and public stakeholders to develop innovative approaches for the provision of affordable housing
- Work with SFT's asset management team to identify possible opportunities for using public sector surplus land to stimulate affordable housing

(1) <https://www.ros.gov.uk/about-us/news/2015/house-sales-exceed-15.3-billion>



NHT Council Variant attracts further investment and protects jobs

Scottish Borders Council became Scotland's second local authority to roll-out SFT's NHT Council Variant approach. In March 2014 it approved the creation of a new special purpose vehicle, Bridge Homes LLP (a joint venture between the Council and SFT), to deliver around 200 below market rent homes across a number of communities in the Borders.

Bridge Homes will let the homes to households who are unable to access social rent housing and who are spending a disproportionate amount of their household income on private rent. Through Bridge Homes, the Council is bringing affordable-rent options to communities where such options were previously unavailable. In addition, the joint venture will provide a boost to the local construction industry.

Over the next two years Bridge Homes will enter into contracts for the delivery of up to 200 homes creating £18.8m of additional investment into the residential homes sector, protecting around 280 construction jobs and providing work to local SMEs.

Since its creation, Bridge Homes LLP has already signed contracts for its first 80 homes and of those, 10 homes have already been built and are now occupied.

"The NHT Council Variant initiative is very important to Scottish Borders Council as it seeks to support the affordable housing target in the Council's 'Ambitious for the Borders' priority intentions. "The decision for the Council to embark on this initiative helps us provide much-needed affordable housing as well as sustain and create jobs in the hard pressed local construction industry. "This could not have been done without SFT's help to support which builds on SFT's previous collaboration with us to deliver 51 homes via the first phase of NHT."

Cathie Fancy
Group Manager Housing Strategy
Services, Scottish Borders
Council

SFT build

The construction industry makes a huge contribution to Scotland's economy and is vital to communities right across Scotland in sustaining employment and delivering training, as well as creating new jobs and creating new apprenticeship opportunities.

SFT supports this sector through the hub and Scotland's Schools for the Future work streams and more recently is part of the core team to implement recommendations following publication of the Review of Scottish Public Sector Procurement in Construction.

SFT build's three programmes



Scotland's Schools for the Future

When launched in 2009, the Scotland's Schools for the Future programme was intended to deliver 55 new or refurbished schools within a £1.25bn budget. As a result of SFT's ambitious work undertaken collaboratively with local authority partners, the number of schools within the programme increased to 67 in 2012.

Following a funding announcement in 2014/15 which introduced a fourth phase of the programme and increased its value to £1.8bn, the number of new or refurbished schools has increased to 93.

At the end of the 2014/15 financial year, 20 schools were under construction and 18 new schools were open, providing 8,000 pupils with fantastic learning environments which often also include amenities for the wider community to use and enjoy.

This Business Plan period is set to witness a significant ramping up of activity across the programme with 20 more schools planned to start construction and eight more to open. In addition many more schools will enter the development phase having been announced as part of the extended programme in 2014.

This year also provides a unique opportunity to develop smaller-scale projects through the utilisation of funding through the Inspiring Learning Spaces initiative, within new or existing schools. Working with its partners across Scotland, SFT will champion the development of high-impact, creative and innovative projects which demonstrate ambition and leadership, promote change and offer transferable approaches from which others can learn.

Business objectives for 2015/16

- Manage the £1.1bn Scottish Government budget within the £1.8bn Scotland's Schools for the Future programme, achieving great design and delivering better value for money through increased collaboration
- Complete construction and achieve occupation of three more primary schools including the reference primary school and four more secondary schools
- See construction start on 20 more schools
- Utilise the £5m Inspiring Learning Spaces fund by working with partners across Scotland to develop high-impact pathfinder projects which demonstrate ambition and leadership and promote change
- Work with local authorities to develop the recently announced Phase 4 projects in line with programme objectives to accelerate projects into construction
- Work with partners across Scotland to embed lessons learnt and continuous improvement philosophies into the development of Scotland's learning estate
- Promote the implementation of the recommendations of the Construction Procurement Review



Better by design

Two schools (The Lasswade Centre in Midlothian and Eastwood High School in East Renfrewshire) were part of a ground-breaking pilot exercise established by SFT, aimed at pushing the boundaries of joint working to establish a best practice initiative that could be adapted for use across the whole programme.

The impact these two schools are having across the whole Scotland's Schools for the Future programme is immense, with over 80% of all secondary schools being influenced by their design.

The real benefits of the pilot project can be seen in this video, produced by and starring pupils from Eastwood High School.

hub

Designed to provide public bodies with an efficient procurement route to build new community buildings which support the delivery of joint working, the Scotland-wide hub programme has grown significantly in the four years it has been operational.

SFT plays a number of roles in the delivery of the hub programme:

- Management of a programme office to support, encourage and share best practice in the delivery of projects across Scotland
- Acts as expert advisor to participants helping ensure that they maximise the benefits and value for money from their individual procurements
- An investor and shareholder in the five hub companies and all DBFM project vehicles

In April 2014, John Swinney, the then Cabinet Secretary for Finance, Employment and Sustainable Growth announced an extension of £1bn to be invested through SFT's revenue funded work streams (the hub and Non-Profit Distributing programmes). hub projects benefiting from this additional funding are now progressing through the planning stage.

As previously mentioned in the NPD work stream, SFT supports all revenue funded projects by carrying out Key Stage Reviews (KSRs). In carrying out this function, SFT works with hub project teams, contributes at board level and carries out KSRs to add value and confidence to the long-term viability of the projects.

At the end of the 2014/15 financial year, hub projects valued at £1.6bn were either in construction, in development or completed and open.



hub demonstrates value in partnership approach

The first phase of the Royal Edinburgh Hospital in Edinburgh replacement project is being constructed by hub South East for NHS Lothian.

The redevelopment of the Royal Edinburgh campus involves a mixture of refurbishment and new build elements, including redevelopment of grade B listed buildings. It involves the co-location of multiple services from different sites and is a multi-phase development forming part of NHS Lothian's strategic asset review programme.

Joint working between NHS Lothian, hub South East and its Tier 1 contractor Morrison Construction and has built on existing good practice to develop an innovative approach to the assessment of space requirements and development phasing. This has resulted in a much larger initial phase of the project being delivered than originally envisaged which in turn will lead to a more efficient delivery of the complete redevelopment of the hospital.

Reaching financial close was only possible thanks to the partnership working. A notable factor in this was the co-location of NHS staff, Tier 1 Contractor and hubCo staff, as well as designers and cost advisers. This proved particularly beneficial in addressing issues progressively throughout the development phase, with all parties approaching project obstacles with a shared vision to resolve issues.

SFT worked closely with the Scottish Government, NHS Lothian and hub South East in supporting the efficient delivery of the project.

"The hubCo Project Manager and members of the team are acutely aware of the strategic importance of this project to NHS Lothian. They have demonstrated an ability to understand and assist with resolving the complex issues and the sometimes competing interests of stakeholder groups which a project such as this involves."

Linda Irvine
Programme Manager, NHS
Lothian

Business objectives for 2015/16

- Have hub projects valued at £1.2bn either under construction or completed with over £2bn of live projects in the hub system
- Work with the five hubCos to achieve their target of 80% of work packages offered to SMEs
- Work towards ambitious target of creating 200 new apprenticeships
- Work with hubCos to achieve 95% KPI target performance
- Achieve average time from new project request to contract award that beats the hub programme target of 15 months
- Reinforce the alignment of hub DBFM projects with latest European accounting guidance and reach financial close on 19 DBFM projects
- Deliver final account within 1% of contract excluding changes and within 2% including changes
- Promote the implementation of the recommendations of the Construction Procurement Review

Working to achieve these objectives, SFT will continue to work closely with hub companies (hubCos) and participants to build on existing best practice to ensure that the hub programme plays a key role in efficiently delivering the next wave of major investment in schools and health projects. SFT will assist hubCos to continue to progress to the next level as innovative development partners. SFT will continue to seek continuous improvement in the efficiency of the programme including the speed of delivery of projects and delivery of value for money.



[View our activity](#)



[Link to March 2015 hub Dashboard](#)

Construction Procurement Review

The value of construction taking place each year across Scotland's public sector totals approximately £4bn. Such a level of investment plays a significant role in Scotland's overall economy as well as being a key component in supporting the construction industry and the thousands of people that work within that sector.

A Review of Scottish Public Sector Procurement in Construction was published in October 2013 by Robin Crawford and Ken Lewandowski. In May 2014, 66 of the 67 recommendations were accepted by the then Deputy First Minister, Nicola Sturgeon, the exception being that there would be no immediate appointment of a Chief Construction Adviser.

The Report's core recurring themes were that construction procurement should become more collaborative, more efficient, more sustainable and more outcome focused. As a result of SFT's procurement expertise and the large programmes of infrastructure investment it is delivering, SFT was invited to work in partnership with Scottish Government to implement the recommendations.

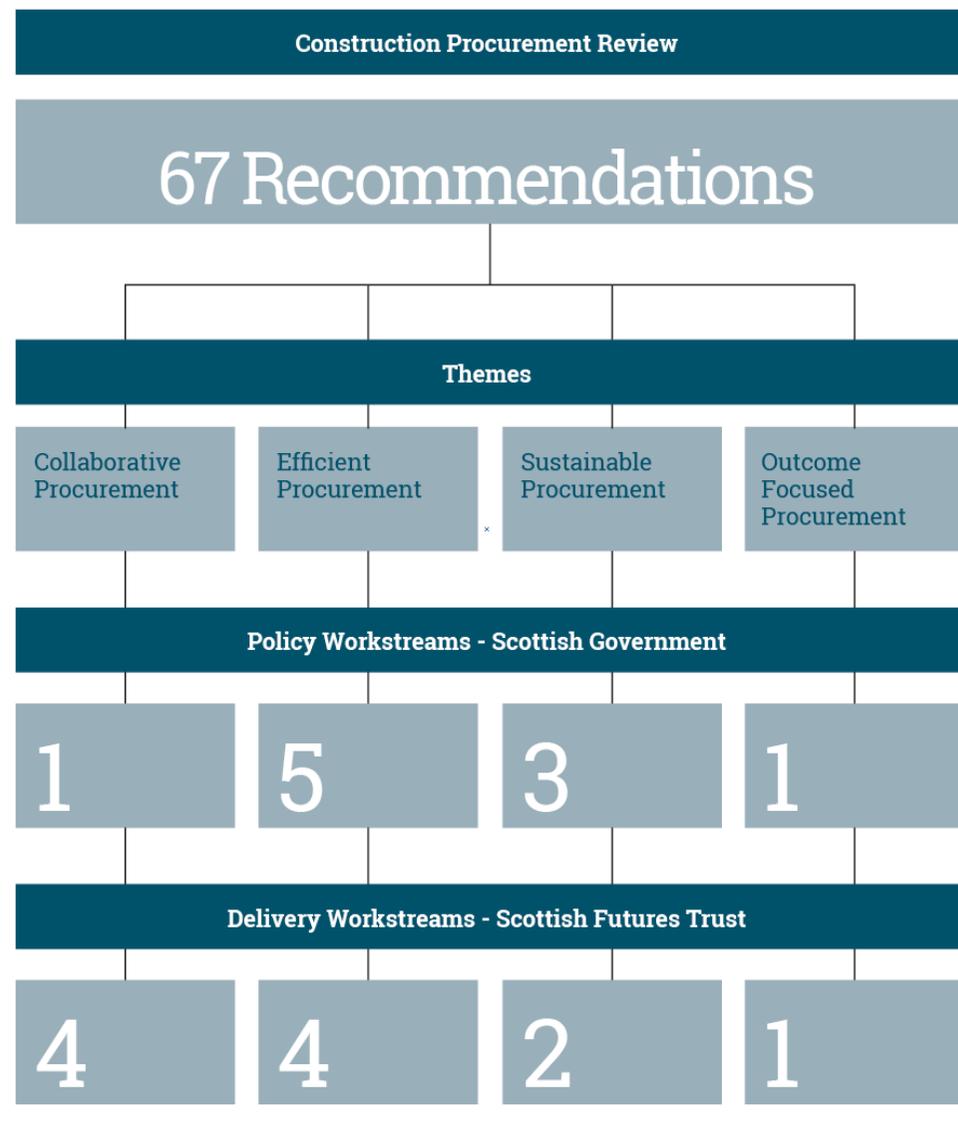
Consequently, a core team was formed in September 2014 and its remit and governance arrangements approved by the Public Procurement Reform Board in November 2014. The 66 recommendations in the Review have been split into 21 themed work streams; SFT leads on the implementation of 11 delivery facing work streams, covering 29 of the 66 recommendations, with Scottish Government leading on the remaining 10 work streams, covering the other 37 recommendations.

The 66 recommendations are planned to be implemented over the next 6 - 20 months.

Business objectives for 2015/16

- Deliver SFT-led implementation measures to the programme agreed by the Public Procurement Reform Board
- Secure endorsement from the Construction Review Delivery Group for each of the SFT-led implementation measures due for publication in 2015/16
- Assess options to achieve greater collaboration across the public sector
- Decide if any of the UK wide trial approaches included in the Construction Procurement Review's report should be trialled in Scotland and start implementation if appropriate

Implementing the Recommendations



Budget for 2015/16

SFT's operational budget is £9.3m with income arising from the following sources:

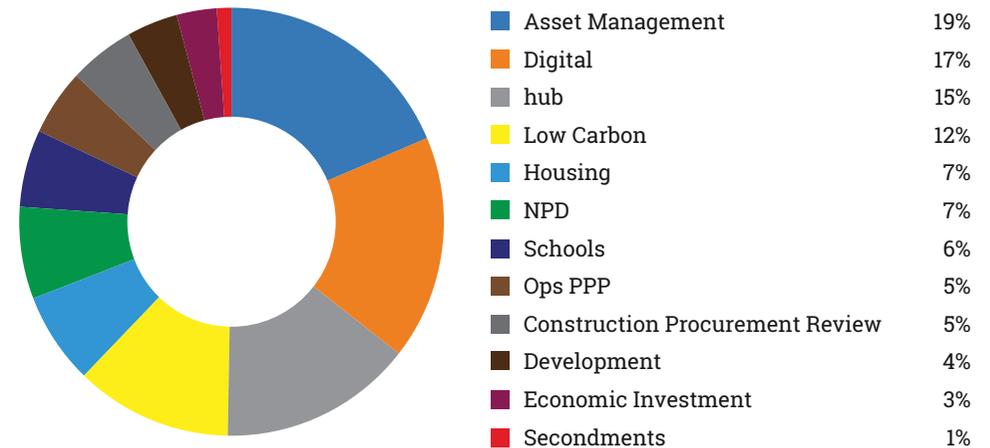
Income Source	(£'000)
Scottish Government Funding	8,831
Income from Investments and Public Interest Directorships	403
Secondments	71
	9,305

This equates to the following level of investment per work stream:

	£'000
Asset Management	1,792
Digital	1,586
hub	1,421
Low Carbon	1,086
Housing	655
NPD	633
Schools	546
Ops PPP	427
Construction Procurement Review	437
Development	343
Economic Investments	308
Secondments	71
	9,305

SFT will manage its budget to take into account any changes in activity across its various work streams during the course of 2015/16.

SFTs operational budget is applied to major work streams in the following proportions:



Annex A

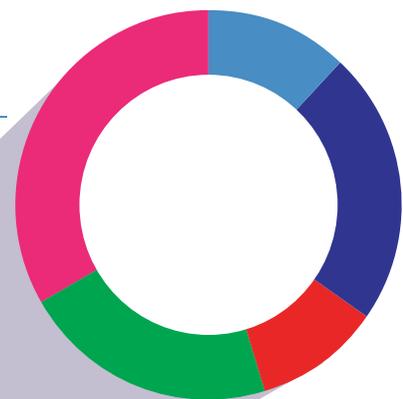
Programme Funding and Procurement Routes

INITIAL PROGRAMME

Sectors and Values

- Colleges £286m
- Schools £530m
- hub Health £250m
- NPD Health £500m
- Transport £778m

£2.5bn



Procurement

- NPD £1.6bn
- hub £900m



EXTENSION PROGRAMME

Sectors and Values

- Colleges £140m
- Schools £330m
- hub Health £280m
- NPD Health £120m
- Justice £60m
- Others £70m

£1bn

