

Infrastructure Investment Plan 2015

Progress Report for 2018-19



Scottish Government
Riaghaltas na h-Alba
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April 2019



Foreword

Infrastructure investment plays a key role in achieving our ambition to create an inclusive, sustainable economy and our commitment to this is reflected in our Economic Strategy, Programme for Government and our Infrastructure Investment Plan.

This annual progress report outlines our key achievements over the course of 2018-19 including the full opening of the Aberdeen Western Peripheral Route/Balmedie to Tippetty project, the opening of NHS Scotland's Pharmaceutical Specials Service facility and the completion of 19 new schools. In total over the course of 2018-19, infrastructure projects worth more than £1.4 billion completed construction and opened to the public within our project pipeline.

Looking ahead, our project pipeline publication also shows that infrastructure projects totalling almost £3.1 billion are estimated to be in construction across Scotland during 2019-20.

Our Programme for Government commitment to have a National Infrastructure Mission will increase annual investment by 1% of 2017 Scottish GDP by the end of the next Parliament. This will provide economic stimulus and boost our international competitiveness. It will bring a level of investment in our vital economic and social infrastructure that will protect and create jobs in the short term, and support growth and productivity in the long term.

I am pleased to report that we have established a new Infrastructure Commission for Scotland to provide long-term strategic advice on our national infrastructure priorities. The Commission will advise on our National Infrastructure Mission by identifying key strategic investments in Scotland to be made to boost economic growth and support public service.

Since being elected in 2007, we have delivered major infrastructure improvements for the people of Scotland and significant progress continues to be made as demonstrated by this report, and by our accompanying published pipeline of project and programme activity.

Moving forward, our £5 billion commitment to infrastructure investment in 2019-20 will support 50,000 affordable homes, delivery of the extension of early learning and childcare, new roads and railways, electric vehicles and delivery of 100% superfast broadband across Scotland.

We look forward to continuing to work with the private sector, local government, and all our stakeholders to ensure that collectively we maximise the benefits of infrastructure investment to the people of Scotland.

A handwritten signature in black ink, appearing to read 'Michael Matheson', written in a cursive style.

Michael Matheson MSP
Cabinet Secretary for Transport, Infrastructure and Connectivity

Overview Report

The Infrastructure Investment Plan

The 2015 Scottish Government Infrastructure Investment Plan (IIP) was published on 16 December 2015 and sets out priorities for investment and a long-term strategy for the development of public infrastructure in Scotland. It set out why the Scottish Government invests, how it invests and what it intends to invest in sector by sector.

The 2015 IIP sets out a set of guiding principles for infrastructure investment, which provide the framework for investment decisions and how they promote the Scottish Government's overarching objectives. These are:

- delivering sustainable economic growth through increasing competitiveness and tackling inequality;
- managing the transition to a more resource efficient, lower carbon economy;
- supporting delivery of efficient and high quality public services; and
- supporting employment and opportunity across Scotland.

National Infrastructure Mission

International evidence from studies by the International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), World Bank and European Union, all demonstrate a strong link between government infrastructure investment and longer-term economic growth. The Scottish Government is firmly committed to infrastructure investment as a key factor in securing inclusive economic growth and our focus is on stimulating growth, protecting and creating jobs and promoting Scotland as a great place to do business. In recognition of the importance of infrastructure investment to the economy, the 2018 Programme for Government set out our commitment to a National Infrastructure Mission to increase annual investment by 1% of current (2017) GDP (Gross Domestic Product) by the end of the next Parliament. This will mean an additional £1.56 billion of investment per year by 2025-26.

An Infrastructure Commission for Scotland has also been established to provide long-term strategic advice to the Scottish Government on national infrastructure priorities, based on evidence and learning from good practice and to align investment with long-term inclusive economic growth and low carbon objectives. It will advise on the National Infrastructure Mission by identifying key strategic investments in Scotland to be made to boost economic growth and support public services. The Commission will report on infrastructure ambitions and priorities by the end of 2019, and will also advise on the possible creation of a Scottish National Infrastructure Company six months later.

The Commission will engage industry stakeholders and civic society across Scotland to seek a wide range of views about what is needed and how it might best be delivered. The Commission's advice will inform the development of the Scottish Government's next Infrastructure Investment Plan, setting out a coherent plan across the sectors for the next 5 years.

Government Expenditure and Revenues Scotland (GERS)

The Government Expenditure and Revenues Scotland (GERS) publication provides details of capital expenditure for Scotland beyond that invested by the Scottish Government and can be found using the following link:

www.gov.scot/publications/government-expenditure-revenue-scotland-2017-18

It includes estimates of spend on capital by the Scottish Government, Scottish Government funded public corporations and local authorities as well as including spending by the UK Government, UK public corporations and UK Government bodies such as Network Rail.

Infrastructure Investment Plan Reporting

The Infrastructure Investment Plan (IIP) includes both programmes and projects. Programmes co-ordinate, direct and oversee the implementation of a set of related projects. Projects have defined start and end points (usually time-constrained and often constrained by funding or deliverables) and are undertaken to meet unique goals and objectives. Projects can be part of a programme but are not always.

The **Infrastructure Investment Plan - Project Pipeline** is based on the 2015 Infrastructure Investment Plan and is updated on a six-monthly basis. It details projects with a capital value of £20 million or more where the Scottish Government has a lead role in procurement or funding. It also includes school and health projects being taken forward through the Scotland-wide 'hub' initiative which form part of the Scottish Government's current revenue funded £3.5 billion NPD/hub investment programme. A summary of the IIP Project Pipeline at March 2019 by funding type and sector is provided at Annex A.

In addition to publishing the IIP Project Pipeline, the **Infrastructure Investment Plan - Major Capital Projects Progress Update** is published on a six-monthly basis which provides information on projects with a capital value of £20 million or more which are at the Outline Business Case (or equivalent) approved stage or beyond. The **Infrastructure Investment Plan - Programme Pipeline Update** is also published on a six-monthly basis and this includes information relating to ongoing key major infrastructure programmes with an investment of £50 million or more.

The latest versions of the IIP Project Pipeline, IIP Major Capital Projects Progress Update and IIP Programme Pipeline Update publications, can be found by way of the following link: <http://www.gov.scot/Topics/Government/Finance/18232/IIP>

Progress to March 2019

Major infrastructure improvements have been delivered and significant progress continues to be made. In total over the course of 2018-19, the following infrastructure projects worth more than £1.4 billion completed construction and opened to the public within our accompanying project pipeline:

Transport

- Aberdeen Western Peripheral Route/Balmedie to Tipperty (£745 million).
- Stirling Dunblane Alloa Rail Electrification (£159 million).

Health

- NHS Scotland Pharmaceutical Specials Service (£29 million).
- Inverurie Health Care Hub & Foresterhill Health Centre (£24.1 million).
- Gorbals Health Centre (£18.6 million).

Schools

- Blairdardie Primary School (£11.7 million).
- Carntyne Primary School (£7.3 million).
- Clackmannan Primary School (£1.6 million).
- Dunoon Primary School (£10.1 million).
- Ladyloan Primary School (£8.5 million).
- Lochside Academy (£47.4 million).
- Milne's Primary School (£2.2 million).
- Muirfield Primary School (£8.2 million).
- Newbattle Community Campus (£35.9 million).
- Dundee Joint Campus (£17.2 million).
- North West Community Campus (£35.9 million).
- Oban High School (£36 million).
- St John's Primary School (£13.2 million).
- St Joseph's College (£24.2 million).
- Stoneywood Primary School (£13.6 million).
- Underbank Primary School (£6 million).
- Wallyford Primary School (£18.7 million).
- West Calder High School (£38.6 million).
- William McIlvanney Campus (£45.1 million).

Culture

- V&A Museum of Design Dundee (£80.1 million).

Particular highlights in this progress report include:

- The Aberdeen Western Peripheral Route (AWPR), which was the longest length of road under construction in the UK, opened to full to traffic on 19 February 2019. This followed road openings between Craibstone to Charleston and Stonehaven in December 2018, Balmedie and Tipperty in August 2018, and Parkhill and Blackdog in June 2018. The opening of this final section of the AWPR represents a major achievement for this Government in delivering this major transformational investment to the North East of Scotland, which also saw the A90/A96 Haudagain Junction Improvement project commence construction in January 2019.
- The electrification of 100 kilometres of single-track line from Dunblane through Stirling and Alloa (Stirling Dunblane Alloa Rail Electrification) was completed in December 2018 and enabled the introduction of new electric services on 9

December 2018. The Highland Main Line Phase 2 rail project commenced construction within the last year.

- The new purpose-built state-of-the-art Pharmaceutical Specials Service facility at Ninewells Hospital in Dundee was completed in March 2019. It will manufacture and supply a range of medicines to meet specific patient needs to all 14 health boards in NHS Scotland. The re-provision of Inverurie Health Care Hub & Foresterhill Health Centre in Aberdeen was completed in July 2018 and May 2018 respectively. The new state-of-the-art Greenock Health & Care Centre recently commenced construction.
- The V&A Museum of Design Dundee, Scotland's first design museum opened its doors to the public in September 2018. The museum is the centrepiece of an ambitious transformation of Dundee's waterfront that is making a significant cultural, economic and social contribution to the area and helping to reshape the city's future as a hub of the UK creative industries, drawing in visitors, business and investment.
- 19 school projects worth £381 million were completed within the Schools for the Future programme in total over the course of the last year.

Funding

Projects within the IIP are funded from several funding sources: capital DEL (Departmental Expenditure Limits), NPD/hub revenue finance and Regulated Asset Base (RAB) for rail projects until 2018-19 (thereafter it will be grant funded with HM Treasury taking on responsibility for debts accrued by Network Rail). The Scottish Government also has the power to borrow up to £3 billion for capital purposes with an annual cap of £450 million. Borrowing is added to the total capital grant funding available to determine the overall availability of capital, therefore we do not distinguish between capital grant funded projects and those funded by borrowing.

In order to ensure choices are sustainable the Scottish Government has a self-imposed revenue finance investment limit in place. Prior to Budget 2019-20 this was set at 5% of the total Scottish Government Budget. At Budget 2019-20 this limit was tightened to 5% of the Scottish Government resource budget only (excluding social security) to ensure that the National Infrastructure Mission can be delivered in the most fiscally prudent manner. Under the new limit planned and committed projects and borrowing, are expected to peak at 3.21% in 2020-21 and 2021-22.

Financial Transactions

In addition, the UK Government has made a subset of capital funding available called Financial Transactions (FTs). FTs are a subset of capital funding from HM Treasury that were introduced in financial year 2012-13 and which can only be used to make loans to, or equity investments in, private sector entities, including universities, or individuals.

They need to be repaid to Scottish Government for onward repayment to HM Treasury. No interest is payable to HM Treasury by the Scottish Government. The

interest rate to be applied on loans provided by Scottish Government can be at commercial or below market rates depending on the purpose of the loan and compliance with State Aid rules. The repayment period should be appropriate to the nature of the loan or investment and can be short or patient in nature.

The Scottish Government has disbursed over £2.4 billion in FTs to 31 March 2019 with a further £1.1 billion available over the period 2019-20 to 2020-21, excluding recycling of any repayments. Our repayment profile, as agreed with HM Treasury and updated annually, incorporates our first repayment of £51 million by March 2020. For the financial year 2020-21 onwards, we anticipate a fairly even repayment pattern based on at least an 80% repayment rate which reflects known and anticipated repayments. The majority of FTs to date have been allocated mainly to support housing and regeneration schemes, support for businesses through Scottish Enterprise and investment in energy efficiency measures over the medium to long-term. There have also been short-term allocations to support farmers, which, in general, are repaid the following financial year and made available for recycling.

Contribution to Economic Development

Infrastructure investment contributes to economic development and supports jobs. The contribution made by the individual projects is detailed in the IIP Major Capital Projects Progress Report on a six-monthly basis. This includes, where possible, the number of jobs supported, the number of sub-contracts awarded to Scottish firms and the number of graduate, apprenticeships and work experience placements positions created.

Our investment in housing, will, on average, leverage economic output in the region of £1.4 billion per year, supporting around 10,000 to 12,000 jobs per annum in the construction and related industries in Scotland.

Our Digital Scotland Superfast Broadband (DSSB) Programme has delivered fibre broadband access to 95% of premises in Scotland, creating a fibre spine that will support future generations of fixed and mobile connectivity. Many SME's, some for the very first time, are now capable of accessing fast, reliable broadband opening their businesses to a far wider market and contribute to Scotland's economic growth

Going forward, our ambitious A9 Dualling programme will bring many benefits for road users, communities and businesses who live along or use this important route between central Scotland and the Highlands and Islands. It will improve journey times and their reliability, operational performance and levels of safety which will benefit businesses and road users and deliver significant wider economic benefits including improved access to markets, and increased productivity. During construction, the programme will provide opportunities for local SME employment, support sustainable employment opportunities, provide training and upskilling of the workforce and deliver engagement with local communities and schools.

In addition, the A96 Dualling programme will help tackle congestion in towns along the route, reduce journey times, improve journey time reliability and improve road safety for all users.

Leverage

In order to maximise the government's investment in infrastructure, leverage of other funding is pursued where possible. Examples of this include the City Region Deals where it is estimated that the Glasgow City Region Deal will lever in an additional £3.3 billion of private sector investment into the proposed infrastructure investment programme and the Inverness City Deal is expected to unlock an additional £800 million of private sector investment. The Aberdeen City Region Deal anticipates around a further £500 million of leverage from the private sector and other economic partners and the Edinburgh and South East Scotland City Region Deal includes £425 million of leverage from the private sector and other economic partners.

Publicly funded social housing and mid-market rented (MMR) attracts matching private investment across the housing programme. There will be variations for individual projects but social housing grant pays approximately half the unit build cost with the remainder being funded by lenders. For many of our innovative MMR schemes supported by loan funding, the private finance leverage can be much higher, generating significant investment at scale into affordable housing in Scotland. We have made loan investments of over £100 million in recent years towards MMR schemes that have the potential to leverage significant private sector investment into housing. Examples include the LAR Housing Trust where a £55 million Scottish Government loan has attracted £65 million investment from Scottish Widows arranged through Bank of Scotland to support their target of 1,000 affordable MMR homes.

The Digital Scotland Superfast Broadband (DSSB) programme is delivering over £400 million of investment (around £280 million from public sector with £126 million from BT) to extend fibre broadband access to areas where the market would not otherwise go. The programme met its target to provide fibre broadband access to 95% of Scotland's premises by December 2017 and will continue to deploy infrastructure throughout 2019. Similarly, both the Reaching 100% (R100) and Scottish 4G Infill (S4GI) programmes will utilise this same gap funding approach to encourage the private sector to invest in areas that they might not otherwise consider.

NPD/hub Revenue Funded Projects

The IIP Project Pipeline includes the capital value of revenue funded projects through NPD and hub. These projects may also have an additional capital funded element. The revenue funded element is paid through unitary charges for a period of 25-30 years once the project is completed and is funded from resource budgets. The annual estimated unitary charges are published on the Scottish Government website by way of the following link:

<https://www.gov.scot/policies/government-finance/infrastructure-investment/#npd>

The graph provided at Annex B shows the total unitary charges payable each year in nominal and real terms. The nominal values represent the cash payments that will be made and the real figures remove the effect of inflation. The largest elements of the unitary charge relates to construction and financing which, under the terms of the

NPD and hub contract, are not linked to inflation therefore in real terms these costs reduce over the period of the contract.

The Net Present Value (NPV) is calculated here as the value of all future cash flows over the entire life of the project, discounted to the date each contract was signed. In accordance with the established HM Treasury Green Book principles, the discount rate applied to calculate the NPV removes the effect of inflation and adjusts for social time preference. The future cash flows and therefore the net present values for each project reflect the capital, financing costs, project company running costs and contracted maintenance costs for each project. With the exception of the two major roads projects, which have an operational period of 30 years, the future cashflows for each project cover an operational period of 25 years.

The table provided at Annex C provides the total unitary charges payable for each project and the associated NPV value.

Conclusion

This overview summarises the approach to infrastructure investment that Scottish Government is following to support the economy and deliver high quality public services. Investment is maximised through not only utilising capital grant but delivering infrastructure through revenue financed methods, capital borrowing and leveraging in additionality from the private sector and other sources. The IIP Progress Report and associated IIP monitoring reports set out in more detail the scale and diversity of the infrastructure programme, use of a variety of funding routes and the associated economic benefits.

Sector Reports

TRANSPORT

Aberdeen Western Peripheral Route/Balmedie to Tipperty

The Aberdeen Western Peripheral Route/ Balmedie to Tipperty (AWPR/B-T) project fully opened to traffic on 19 February 2019. The AWPR/B-T will provide substantial benefits across the whole of the north east and will provide a boost to the economy; increase business and tourism opportunities; improve safety; cut congestion as well as increasing opportunities for improvements in public transport facilities.

A90/A96 Haudagain Improvements

The A90/A96 Haudagain Improvements project contract was awarded to Farrans Construction on 8 January 2019 and is progressing to programme. Advance work at Haudagain began during the summer 2018, which involved ground investigations, advance utility work and the demolition of 130 properties. Completion of the AWPR/B-T takes traffic away from the streets of Aberdeen and improves air-quality to some 75,000 houses. That, coupled with the removal of the bottleneck roundabout at Haudagain will bring much needed relief for road users and communities in the north east.

A737 Dalry Bypass

The £31.2 million Design and Build contract for the A737 Dalry Bypass project was awarded to Farrans Roadbridge Joint Venture on 26 May 2017. Farrans Roadbridge Joint Venture are making good progress on the project with work visible along the entire length of the route and the project remains on programme with construction expected to be complete by the end of 2019.

A77 Maybole Bypass

On the A77 Maybole Bypass, the procurement process was launched in August 2017 upon publication of the Contract Notice and the project remains on programme with the commencement of the works anticipated in the coming months, with construction expected to be complete by spring 2021.

A9 Dualling Perth to Inverness

Work is continuing across the route with road users already benefiting from the new dualled stretch between Kincaig and Dalraddy, which opened in September 2017.

The contract to design and construct the next section of the A9 Dualling, Luncarty to Pass of Birnam project, was awarded to Balfour Beatty in September 2018. Construction is now under way and it is anticipated that this project will be fully operational by spring 2021.

Design work on the remaining nine schemes is progressing at pace with draft Orders now published for eight of them, meaning that we have published draft Orders for 95 per cent of the dualling programme.

The remaining scheme at the Pass of Birnam to Tay Crossing was subject to a co-creative process to identify a community preferred option. Since the community's option was announced in July last year, Transport Scotland has been undertaking

scoping works and this will help inform the route options assessment with a view to announcing a preferred route option later this year.

A96 Dualling Inverness to Aberdeen

Design work is well underway on the dualling programme with draft Orders published on Inverness to Nairn (including Nairn Bypass) in November 2016. A Public Local Inquiry was held in October and November 2018 to consider objections received and not withdrawn. The Public Local Inquiry Reporters are now considering all representations made at the inquiry before submitting their report to Scottish Ministers for consideration.

Route options assessment work on the Western Section between Hardmuir and Fochabers has been completed with a preferred option announced in December last year. Route options assessment work is also well underway on the Eastern Section between east of Huntly and Aberdeen with a preferred option expected to be identified later this year.

A82 Tarmachan to Inverarnan Improvement

Detailed development and assessment of the preferred option to upgrade the 17 kilometres stretch of the A82 between Tarmachan and Inverarnan is progressing at pace to support publication of draft Orders for the scheme later this year for formal comment.

Aberdeen to Inverness Rail Improvement Project

Phased programme of improvements to the railway infrastructure in the North east of Scotland over the period 2014–2030. Works at the west end of the route (Forres and Elgin) were concluded in October 2017 and works at the east end (Aberdeen to Inverurie and Inverness) progressing during the early part of 2019. This phase of the project is scheduled for completion by September 2019 and authorised for passenger and freight use in December 2019. Future phases of the project will help support an hourly service between Aberdeen and Inverness, with an average journey time of around 2 hours.

Faster journey times, the introduction of high-speed trains and increased service provision will deliver a 75 per cent increase in capacity and enhanced connectivity over the whole of the route.

Edinburgh Glasgow Improvement Programme

The Edinburgh Glasgow Improvement Programme (EGIP) has successfully delivered the electrification of the Glasgow–Cumbernauld route, the redeveloped Haymarket Station and the new tram/train interchange at Edinburgh Gateway Station. First electric services commenced on the Edinburgh-Glasgow via Falkirk High route using existing Class 380 trains, on 10 December 2017. ScotRail is working closely with Hitachi on the ongoing delivery programme for the new Class 385 train. The first new trains entered service in July 2018. The 42 minute fastest journey time was delivered in the December 2018 timetable, which has seen all services on the route operated by new Class 385 electric trains. Additional services are planned to meet the 42 minute fastest journey time in the May 2019 and December 2019 timetable changes. Seating capacity on the route increased by 26% following the introduction of 7-car trains, which will increase further to 44% more seats when 8 car trains are

introduced. 8-car trains will commence in December 2019 following completion of platform extension works at Queen Street station. The full redevelopment of the station is scheduled to complete March 2020.

Highland Main Line

By March 2019, the second phase of the project aims to complete the infrastructure programme, which will facilitate the introduction of enhanced services during 2019 to include:

- An hourly passenger service in both directions between Inverness and Perth extended to either Glasgow or Edinburgh;
- The introduction of High Speed Trains;
- An average end-to-end journey time reduction of around 10 minutes in both directions; and
- More efficient freight operations that better respond to the demand from freight customers.

Shotts Electrification

The electrification of 74 kilometres of single-track line (approximately 46 miles) on the Glasgow Central to Edinburgh Waverley via Shotts route to provide the fourth electrified line between Scotland's two largest cities was successfully completed in December 2018. Work is ongoing for full completion of the remaining station enhancements by the end of March 2019. Additional accessibility enhancements are also being delivered at 3 stations with the installation of footbridges and lifts. Project completion will facilitate the introduction of electric rolling stock and reduced journey times during 2019, which will improve connectivity, increase capacity and efficiency and enhance the passenger experience.

Stirling Dunblane Alloa Electrification

The project involved the electrification of 100 kilometres of single-track line from Dunblane through Stirling and Alloa connecting to the electrified Edinburgh-Glasgow via Falkirk High route at Larbert. The electrification works were completed in December 2018 and enabled the introduction of new electric services on 9 December 2018. As the project has only been recently completed, further benefits will be in due course.

HEALTH

Capital Investment Strategy

Infrastructure contributes to the effective delivery of health and care services right across Scotland and needs to respond to the complex and changing needs of the service, changing population demographics and increasing public expectation from the service, which is regarded as a force for good in all our lives.

Our Capital Investment Strategy will take a broad overview of required investment across primary and community care facilities, acute hospital infrastructure, digital technology, and medical equipment and will set out the further steps we will take to support all Health Boards to continue to improve and maintain their estate and asset base.

Progress

Healthcare investments completed during 2018-19 include the following:

- **Inverurie Health Care Hub & Foresterhill Health Centre** - the £24.1 million project for the reprovision of a new health centre on the Foresterhill Health Campus site in Aberdeen completed in May 2018 and the reprovision of a new health centre for Inverurie, Aberdeenshire completed in July 2018.
- **NHS Scotland Pharmaceutical Specials Service** - the £29 million NHS Manufacturing Unit at Ninewells Hospital in Dundee for the supply of unlicensed medicines to all 14 health boards in NHS Scotland, completed in March 2019.
- **Gorbals Health Centre** - the £18.6 million new health centre in Glasgow opened in November 2018.

The following projects currently in construction are expected to complete and be operational later this year:

- **NHS Orkney New Hospital and Healthcare Facilities;**
- **Royal Hospital for Sick Children / Department of Clinical Neurosciences, Edinburgh;**
- **Stirling Care Village;** and
- **Woodside Health Centre, Glasgow.**

The following projects have commenced construction within the last year:

- **Greenock Health & Care Centre;** and
- **Stobhill Mental Health Beds, Glasgow.**

The following projects are expected to commence construction later this year:

- **Redesign of Services for Skye, Lochalsh & South West Ross;**
- **Redesign of Services for Badenoch and Strathspey;**

- **Aberdeen Baird Family Hospital and ANCHOR Centre;** and
- **Clydebank Health & Care Centre.**

- **Elective Centre Programme** - one of our key commitments is the investment of £320 million in the Elective Centre Programme. The Centres will deliver additional, sustainable elective capacity to meet the needs of a growing and increasingly elderly population, thereby reducing waiting times and reliance on private sector provision. Building work will commence in early 2019 on the £16 million Golden Jubilee National Hospital's Ophthalmology Unit Development, which is scheduled to open in Spring 2020, and the business cases for the remaining centres will progress during 2019.

SCHOOLS (SCOTLAND'S SCHOOLS FOR THE FUTURE)

Overview

- The Scottish Government's school building programme, Scotland's Schools for the Future, is worth almost £1.8 billion with £1.13 billion provided by the Scottish Government and £665 million by local authorities.
- The programme will see the construction of at least 117 new or refurbished schools, which will be built in every part of Scotland in partnership with local authorities by March 2020.

Progress

- In 2018-19, 19 school projects within the programme were completed. The total capital value of the schools completed was £381 million, of which Scottish Government's contribution was £181 million.
- 11 further school projects are expected to be completed in 2019-20. The total capital value of the schools expected to complete is £300 million, of which the Scottish Government's contribution is £155 million.

EARLY LEARNING AND CHILDCARE

Overview

- The Early Learning and Childcare (ELC) expansion programme will expand the entitlement to funded ELC from 600 to 1,140 hours per year for all 3 and 4-year olds and for eligible 2-year olds from August 2020.
- The expansion planning process was undertaken in a collaborative manner between the Scottish Government and local authorities. This enabled Scottish Ministers and COSLA (Convention of Scottish Local Authorities) to reach agreement on a multi-year funding package for the ELC expansion programme.
- The Scottish Government will provide local authorities with £476 million of capital funding to support the expansion, over four financial years from 2017-18 to 2020-21 inclusive.
- The ELC expansion programme will comprise of around 750 capital projects including the refurbishment and/or extension of existing facilities, the provision of new standalone facilities as well as investing in outdoor ELC capacity. Together this will secure around 22,000 additional registered ELC places within the public sector.
- The Scottish Futures Trust is supporting both the Scottish Government and local authorities with the infrastructure elements of the ELC expansion programme.

Progress

- As at January 2019, 69 refurbishment projects, 10 extension projects and 12 new build projects have been completed, delivering an additional 1,982 ELC places.

FURTHER AND HIGHER EDUCATION

Progress

Further Education

Forth Valley College (Falkirk Campus)

In 2017 the Scottish Government approved the final design stage of the project and building work is underway. The total cost of the project is £78 million with Scottish Government investment in the project being £65 million capital funding. The operational date for this project is expected to be the end of 2019.

College Energy Efficiency Programme

In 2017, the College Energy Efficiency Programme provided £4 million towards low carbon projects in Borders College, Edinburgh College, Newbattle Abbey College and West Lothian College. Works were completed in 2017 and participating colleges are now in their final “savings” period.

Guaranteed annual energy cost savings exceed £0.3 million and annual carbon savings of circa 1500 tCO_{2e} are anticipated. Initial assessments show significant reductions in energy bills across each of the colleges. Wider project benefits have also been realised including significantly improved teaching and working environments, as well as learning opportunities for students around energy efficiency technologies and general construction related activities.

College estate maintenance

The Scottish Funding Council (SFC) published its College Estate Condition Survey in 2017. Since then, the SFC has considered where new approaches may represent better value for money than continuing to address backlog repairs alone and the SFC introduced its new prioritisation framework.

The Scottish Government provided £26.9 million to fund very high priority estate maintenance issues in 2018-19 and funding has been provided in 2019-20 to continue to address lifecycle and backlog repairs. A Learning Estates Strategy is being developed which will combine the best practices of development policies for schools with future development of Colleges and summarising these in a set of guiding principles.

Fife College

Fife College is in discussions with Fife Council on the development of a joint Dunfermline Education Campus. The aim is to locate the new College building and two of Dunfermline's high schools on the same site. Fife College purchased the land for the new college site in October 2018 for £4.56 million.

Higher Education

The total capital funding for universities in 2018-19 including Financial Transactions (FTs), was £81.3 million. FTs for the university sector grew substantially to £40 million for 2018-19. Taken together with capital maintenance funding, this represents a significant and welcome source of capital investment for Institutions.

The Scottish Government will further build on this in 2019-20, with the Scottish Budget setting out a further increase in FTs, which when combined with capital funding will make £93 million available.

The SFC now has a robust evidence base of the higher education sector's year-on-year life-cycle maintenance needs. This reflects the diversity across the Scottish Higher education estate of the costs associated with maintaining the sectors teaching and research facilities. In 2019-20, we will continue to work with the university sector to maximise available resources and to deploy them to achieve the best value for money.

In AY (Academic Year) 2018-19, SFC is deploying up to £40 million of FTs on a range of university estates projects aimed at improving the student experience and the energy efficiency of buildings. SFC has an additional £55.5 million of FTs to deploy in AY 2019-20, for which scheme details are currently being developed.

HE Carbon Reduction Programme – the SFC announced a £20 million HE Carbon reduction fund in 2017-18 to be funded through FTs. It deployed £16.19 million of FTs funding to support 15 carbon reduction projects at 11 universities. These projects will reduce the university sector carbon footprint by over 9,000 tCO₂ a year.

Institution	Project	Loan Funding
Abertay University	External lighting	£171,000
Abertay University	LED lighting	£905,000
University of Dundee	Solar PV and LED lighting	£294,981
University of Edinburgh	Lighting, solar and power system upgrades	£5,191,910
Heriot-Watt University	Boiler replacement	£440,000
Heriot-Watt University	Solar PV	£1,644,000
Edinburgh Napier University	Campus LED lighting	£146,099
Edinburgh Napier University	Solar PV	£408,000
Queen Margaret University	Lighting, hand dryers	£116,958
Robert Gordon University	Metering and energy efficiency measures	£394,017
University of St Andrews	Smart Campus, metering	£4,981,235
University of Stirling	LED lighting and Solar PV	£335,212
University of Strathclyde	District heating network enhancements	£852,528
University of the West of Scotland	Building Management System controls	£99,547
University of the West of Scotland	LED lighting	£208,662
Total		£16,189,149

CULTURE, HERITAGE AND TOURISM

Maintaining capital investment in the culture, heritage and tourism sectors supports the continued delivery of a wide range of key Scottish Government outcomes, providing significant economic stimulus and successfully leveraging additional investment from other sources across the public, private and third sectors. We are investing in key infrastructure – including our historic environment, a key part of our national identity, and an essential driver for our tourism industry.

Ongoing multi-year key programmes are:

- Storage facilities for Scotland’s National Collections;
- Estates conservation for Historic Environment Scotland’s Properties in Care;
- Repairs and improvements for the National Collections estate and Historic Environment Scotland’s visitor facilities; and
- Refurbishment programme for Visit Scotland’s iCentre estate and digital investment for ‘Scotland Is Now’.

Project progress in 2018-19 includes:

- The opening of V&A Dundee in September 2018 - a £25 million capital grant and £12.6 million growth accelerator investment towards the new £80.1 million Museum, the first ever dedicated design museum in Scotland;
- £11 million invested in the external refurbishment of the National Library of Scotland’s (NLS) Causewayside building in Edinburgh completed in April 2019, providing an improved space for managing the Library’s collections and co-locating the majority of NLS’s digitisation activities on one site;
- Next steps and construction start for the redevelopment of the Scottish National Gallery (SNG) in Edinburgh - £5.5 million towards the £22 million project which will showcase the National Galleries of Scotland’s amazingly rich collection of historic Scottish art, which contains masterpieces by Henry Raeburn, Charles Rennie Mackintosh and the Scottish Colourists as well as giving direct access to the rest of the SNG’s international collection;
- Construction start for a new visitor facility in Galashiels - £2.5 million investment towards the £6.7 million project, which will provide a permanent home for the Great Tapestry of Scotland, depicting key episodes from 12,000 years of the history of Scotland and making an important contribution towards the regeneration of Galashiels.

JUSTICE

Female Custodial Estate

Work to build a new 80 place national facility for women in custody and 24 place assessment centre at the existing site of HMP Cornton Vale is progressing. The Invitation to tender (ITT) for construction work was issued in November 2018 and bids are expected in May 2019 with the national facility expected to be constructed by late summer 2021 instead of end of 2020 as originally planned.

The invitation to tender for the Dundee Community Custody Unit (16 place) was issued on 21 February 2019, with a return date scheduled 17 May 2019. The ITT for the Glasgow Liliac Centre (24 place) issued on 31 January 2019, with a return date by 26 April 2019. A contract award is anticipated by July 2019. The Community Custody Unit operational date currently remains on track for the end of 2020.

HM Prison Highland

The new prison is to be located at Inverness Retail and Business Park and will have a design capacity for 200. The production of invitation to tender documentation has been ongoing. The revised timetable is that work could start on site from April 2021. On this basis, work on site could be completed by the end of 2022. The programme and timetable for this work will be reviewed.

HM Prison Glasgow

A suitable site has been identified in the Glasgow area and the Scottish Prison Service is working towards a Pre-Application Notice in April 2019, leading to public consultation in summer 2019, with a formal planning application late summer. Subject to achieving an efficient passage through the planning process, planning approval and site purchase is likely within 2019-20.

HM Prison Greenock 'R'

The site at Inverclyde remains ready for development, following earlier site clearance and enabling works. Concept design work for a 300 place prisoner are at an advanced stage. However, to address Scottish Government funding requirements the release of the ITT is not scheduled for release until funding is made available.

Inverness Justice Centre Project

A suitable site close to the town centre and the bus and train links was purchased and planning permission obtained. Subsequent enabling works were completed and the main construction works commenced in March 2018. Construction completion is due in December 2019 with facility becoming operational in April 2020.

Police Scotland ICT

Investment in the use of technology is a key objective of Policing 2026: *Serving A Changing Scotland*, the long-term strategy for policing in Scotland which was published in June 2017. Police Scotland's associated three year implementation plan describes how the service will utilise technology to enable workforce efficiency and operational effectiveness going forward. This will be underpinned by Police Scotland's Digital, Data and ICT (DDICT) Strategy (May 2018), with a view to implementing the strategy through plans contained within Police Scotland's DDICT Outline Business Case (September 2018).

Early work to modernise key platform technology is already underway, with funding having been released by the Scottish Government to support the delivery of a new national network and national domain for Police Scotland, with the roll out of mobile devices to frontline officers scheduled to begin in 2019-20. Moving forward the service intends to take an incremental approach to ICT development, building on learning that is available from other ICT projects.

Emergency Services Mobile Communications Programme

A Home Office-led programme called the Emergency Services Mobile Communications Programme (ESMCP) is progressing the introduction of the Emergency Services Network (ESN) that aims to move the emergency services across Great Britain from their existing critical voice communication system - known as Airwave. The Full Business Case (FBC) is currently being refreshed and the national shutdown date for Airwave has been extended to December 2022.

The original ESMCP ran into considerable difficulties in 2017 due to delays in the delivery of the technology proposed caused by supplier and programme delivery delays. In 2018 the programme underwent a re-set following a review led by the Home Office Permanent Under Secretary. This review considered a range of options, including cancellation, and concluded ESMCP was still the right strategic solution. It recommended the programme should continue with a revised delivery approach, focusing on incremental delivery as well as a switch to an alternative and established Push-To-Talk voice communications application that benefited from a clearly defined path to industry standards compliance.

A refreshed Full Business Case (FBC) outlines the accepted recommendations from the re-set process and Scottish Government as a sponsor body of ESMCP continue to work collaboratively with the three blue light emergency services (Police, Fire & Ambulance) in Scotland to assess ESMCP's technical capability, affordability and the wider community benefits it will offer. The completed FBC will require re-approval through our governance processes, which will be completed during 2019.

DIGITAL

Overview

Digital infrastructure is a key component in enabling sustainable economic growth across Scotland. By ensuring Scotland has the digital infrastructure needed to deliver real economic benefits and improved connectivity, we can position Scotland at the forefront of digital innovation.

Broadband

The Digital Scotland Superfast Broadband (DSSB) Programme achieved its target of delivering access to fibre broadband to 95% of premises in Scotland by December 2017, creating a fibre spine that will support future generations of fixed and mobile connectivity. Over 900,000 homes and business, that would not otherwise have been connected, can now access fibre broadband as a direct result of the programme. Due to efficiencies and increased return on investment, the rollout of fibre broadband through DSSB will continue throughout 2019.

The Reaching 100% (R100) programme will extend superfast broadband access, at speeds of 30 Megabits per second or better, to 100% of premises in Scotland. It will provide a future-proofed, national fibre network that will make rural Scotland one of the best connected places anywhere in Europe, and underpin future economic growth. The £600 million procurement for R100 (96.5% funded by the Scottish Government) is underway with contracts to be awarded during 2019.

Mobile

The Scottish 4G Infill (S4GI) programme aims to deliver future-proofed mobile infrastructure and 4G services in selected mobile 'not-spots' across the country; £25 million has been allocated for this programme, which includes matched funding from the European Regional Development Fund to support activity in the Highlands and Islands region of Scotland.

Following a procurement conducted in early 2018, WHP Telecoms Ltd was appointed in July 2018 as the infrastructure provider. Launched with an initial 16 sites following a public consultation on potential candidate sites for inclusion, the programme is now currently working to deliver 45 mast sites, which will be subject to the willingness of mobile network operators to delivering 4G services from the sites. The programme aims to deliver 50 to 60 sites in total over the four years from 2018-19 to 2021-22.

ENERGY

Overview

The Scottish Energy Strategy, launched in December 2017, set out a clear vision for the development of energy systems across Scotland that will create economic opportunities whilst supporting work to achieve Scotland's long-term climate change targets. It is recognised that a well-balanced energy mix will remain essential as we continue to decarbonise Scotland's heat, transport and electricity systems – providing the basis for secure and affordable heat, mobility and power for consumers. The Scottish Government currently supports infrastructure across a number of programmes and initiatives with the aim of developing a decarbonised energy system for Scotland.

Low Carbon Infrastructure Transition Programme (LCITP)

Launched in 2015, the Low Carbon Infrastructure Transition Programme (LCITP), which is co-funded by the European Regional Development Fund, focuses on supporting the acceleration of low carbon energy infrastructure projects across the public, private and community sectors to develop investment grade business cases to help projects secure public and private capital finance.

The programme aims to stimulate commercial investment and maximise Scotland's vast potential in the low carbon sector whilst contributing to the positive progress in reducing Scotland's greenhouse gas emissions. Since 2015, LCITP has supported the co-development of over thirty proof of concept and development proposals for low carbon projects. LCITP has also run a number of open funding invitations, including the Transformational Low Carbon Demonstrator Invitation and the Innovative Local Energy Systems Invitation and has offered over £40 million of capital funding to fourteen low carbon projects. This funding has been matched by equivalent investment from both the public and private sector.

- The Glenrothes Energy Network project is utilising the heat generated by the RWE Markinch combined heat and power biomass plant following the loss of the plant's key heat user as a result of the closure of the Tullis Russell Paper-mill in 2015. The project, which commenced operation in March 2019, has created an ambitious energy centre and district heating network to supply low carbon heat to a wide range of local customers in the centre of Glenrothes. The total capital investment is £24 million with contributions of £8.6 million from the Scottish Government's LCITP, £13.6 million from RWE and £1.7 million from Fife Council.
- The Nova Innovation Tidal Energy Storage System (TESS) is the first project globally to utilise both renewable tidal technology and battery storage provided by Tesla to overcome the challenges of grid constraints and facilitate the improved, uninterrupted, provision of low carbon energy in Shetland. The project has potential for replicability in other small island communities across Scotland. Supported by £273k from the Scottish Government's LCITP, the successful commissioning of the system in October 2018 will enable deployment of additional tidal devices, therefore expanding the generating capacity of the current Shetland Tidal Array.

LCITP launched the £60 million Low Carbon Innovation Funding Invitation in January 2018 offering support for projects in three priority areas – integrated energy systems, low carbon heat and ultra-low emission vehicle infrastructure. Four projects have been offered capital support of £12.7 million in total. Fourteen projects have received offers of development support totalling £770,000 to compile investment grade business proposals, these development projects will be considered for LCITP capital support, subject to a viable business case, in Summer 2019.

Community and Renewable Energy Scheme (CARES)

Our flagship Community and Renewable Energy Scheme (CARES) provides funding (grant and loans) and free advice delivered by development officers based throughout the country to support the growth of community and local energy.

A priority for CARES is to support the Scottish Government to reach our community and locally owned targets of 1 GW by 2020 and 2 GW by 2030 and a commitment for at least half of newly consented renewable energy projects to have an element of shared ownership. Work will begin in 2019 to develop a Local Energy Systems Policy Statement, which will set out key principles for developing local energy systems in Scotland.

Since 2013, £35 million has been made available through CARES. CARES support to community and local energy has supported 66 operational community and locally owned projects, mainly onshore wind and hydro, of which 46 were community schemes. Up to £5 million been available through CARES for activity in 2018-19.

CARES has directly supported:

- 267 community and locally owned projects which have been installed and which have a capacity of 59MW.
- 30 shared ownership projects throughout Scotland under the current CARES contact (April 2017 to present).
- In total there is now 697MW of installed capacity for community and locally owned projects across Scotland

Energy Investment Fund (EIF)

In the Scottish Energy Strategy, the Energy Investment Fund (EIF) was announced as a successor to the Renewable Energy Investment Fund (REIF) delivered on the Scottish Government's behalf by the Scottish Investment Bank, part of Scottish Enterprise. It builds on the success of the Renewable Energy Investment Fund, providing commercial investment for both renewable and low carbon energy solutions. As well as addressing market failure, a key aim of EIF investment is to leverage benefits both in terms of wider private sector investment and other benefits aligned with Scottish Government policy priorities, including community benefits and maximising community investment in commercial schemes. Over £72 million had been invested, with up to £20 million made available to support EIF activity in 2018-19 and 2019-20. Projects supported include:

- 15 community-owned wind and hydro schemes,
- 7 community investments in commercial wind farms; and
- 11 marine energy projects.

Wave Energy Scotland (WES)

Wave Energy Scotland (WES) was established in 2014. WES is fully funded by the Scottish Government and delivered by Highlands and Islands Enterprise (HIE). It

funds the development of disruptive technologies that will improve the performance and cost effectiveness of wave energy devices and is recognised as a truly innovative approach to pre-commercial procurement delivering both value for money and innovation. To date, the WES programme has funded 86 contracts, invested £38.6 million and been involved with 200 separate organisations, across 13 different countries. The independent expert panel for WES awarded a total of £7.7 million in January 2019 to the two best Wave Energy Convertors (WECs) from within the programme to go forward to real sea testing in Orkney in the summer of 2020. This will deliver devices, sub-systems and components that are integrated in two proof of concept demonstrations.

Saltire: Tidal Energy Challenge Fund

Scotland has tremendous wave and tidal stream energy resources. We have around 25 percent of Europe's tidal stream potential, equivalent to approximately 10GW, Scotland remains world leaders in the development of tidal technology and current estimates indicate a potential value to the UK of £800 million by 2035. In February 2019, the £10 million Saltire Tidal Energy Challenge Fund was launched. The fund addresses immediate funding pressures from the tidal energy sector and will provide funding support for tidal projects to be deployed in Scottish waters by Autumn 2020. The principal aim of fund is to drive innovation and incentivise investment in the Scottish tidal energy sector, supporting a pathway to long term cost reduction.

Energy Efficient Scotland

Scottish Ministers designated energy efficiency as a National Infrastructure Priority in 2015, in recognition of the many benefits, which can accrue from improving the energy performance of Scotland's buildings. This Priority will be delivered through Energy Efficient Scotland (EES), a twenty year programme which aims to make Scotland's buildings zero carbon wherever feasible by 2050, in a way that is socially and economically sustainable.

By 2040, the vision is that all Scottish buildings will be warmer, greener and more efficient. The EES Routemap was launched in May 2018 and sets out the current support in place and the steps we intend to take in each sector. Through EES, we have moved to a more integrated approach so that households, public bodies and businesses can more easily plan and deliver energy efficiency improvements.

We have launched our two-year Transition Programme that will take us to 2020. Alongside the Transition Programme and the support delivered by local authorities, we will be maintaining our current provision with our existing national fuel poverty programmes and existing loan programmes continuing to be available to support households and businesses that are based outside designated area based schemes, and to bodies in the public or private sector, which are developing heat networks.

From 2020, EES will support building owners to make changes to their buildings and heating systems to reach the required energy rating, with more support available depending on the extent to which home owners struggle to afford their heating. We are on track to deliver our 2016 Programme for Government commitment to make half a billion pounds (£0.5 billion) available over the 4 years to 2021 to tackle fuel poverty and improve energy efficiency.

WATER

Overview

On the 1 April 2015, Scottish Water began to deliver the investment requirements for the 2015-21 period as directed by Minister on the 1 October 2014. The Outputs Monitoring Group is carefully monitoring the delivery of the improvements in line with Scottish Water's delivery plan and quarterly reports are published on the Scottish Government's website.

In the current regulatory period 2015-21, Scottish Water will invest £3.9 billion in maintaining and replacing their infrastructure and in delivering further improvements to drinking water quality, protecting the environment and supporting the Scottish economy. Since April 2015, Scottish Water has delivered over £2 billion of investment and is investing an average of over £50 million a month.

Scottish Water reported for the financial year 2017-18 that £647 million capital investment has been made and in doing so had delivered a significant contribution towards a number of the Government's key strategic objectives. This investment enabled it to:

- deliver better services to customers;
- improve drinking water quality;
- provide additional capacity to meet the demands of new housing;
- reduce leakage; and
- protect Scotland's environment.

Examples of improvements are:

- levels of customer service for 2017-18 was at an all-time high and is amongst the best in the UK (in 2009-10 Scottish Water ranked amongst the worst);
- environmental compliance has improved significantly over the last five years with significant reductions in numbers of pollution incidents - in 2017-18 there were 191 pollution incidents, 47 fewer than in 2016/17, and compared to 939 in 2009-10;
- drinking water quality has been sustained at a high level - in 2017-18 99.91% of samples taken met strict quality standards;
- Scottish Water supports Scotland's economy by investing over £50 million a month with around 215 businesses employing over 2,220 people including 70 graduates and 96 modern apprentices; and
- Scottish Water is now facilitating enough renewable generation to meet 200% of its electricity requirements.

Investment Pipeline

Scottish Water's investment programme is defined and funded for the period 2015-21. The investment programme is set out in the form of Ministerial Directions and a supporting Technical Expression in the form of a list of outputs.

Scottish Water's Delivery Plan sets out how Scottish Water intends to deliver the

investment over the five-year period. The current period ends on 31 March 2021.

The Strategic Review of Charges undertaken by the Water Industry Commission for Scotland was completed on 20 November 2014 when it published its Final Determination of Charges. This determined the amount that customers need to pay in order to deliver the necessary improvements to services. It confirmed the agreement that the Customer Forum had negotiated with Scottish Water on behalf of customers on prices and levels of service represents the lowest overall reasonable cost for customers. The agreement concluded that household charges should not rise by more than the Consumer Prices Index less 1.8% over the six-year period.

The 2015-21 investment plan contains many thousands of projects. In 2018-19, the following key projects were completed:

- official completion in July 2018, of major upgrades to Glasgow's sewerage networks including the £100 million, 3.1 mile long Shieldhall tunnel which supported a team of more than 100 workers;
- in December 2018, Scottish Water completed one of its biggest ever investments in Argyll and Bute, with its new £29 million water treatment works in Oban - its completion means that more than 12,000 customers in the Oban area will continue to enjoy clear, fresh drinking water for years to come.

A number of high profile, complex projects are currently underway including:

Paisley tunnel

Scottish Water is progressing with a £17 million project involving the construction of a one mile-long sewer under the streets of Paisley, which is on track for completion in 2019. Once completed, the project will substantially reduce the frequency of spills from the sewer network into the Espedair Burn and White Cart Water in storm conditions, improving the river water quality in the two watercourses and, in turn, the River Clyde.

River Kelvin

Scottish Water is undertaking £15 million investment project in Glasgow's West End to help improve the environment on the River Kelvin. This project will span eleven sites along the Kelvin Walkway from the bandstand in Kelvingrove Park to the Botanic Gardens.

Glasgow's Smart Canal

Scottish Canals, Scottish Water and Glasgow City Council have entered into an agreement to transform North Glasgow into the world's first dynamic canal-based urban surface water management system. The project will use sensors, predictive weather technology and active management of the canal to lower water levels, creating space for surface water run-off. The multi-million pound deal will unlock 110 hectares across the north of the city for investment, regeneration and development, paving the way for more than 3,000 new homes.

Inverurie

Scottish Water is investing £21 million in a new Waste Water Treatment Works within the existing WWTW site at Inverurie. The investment will ensure the site can

meet higher environmental standards in the Don and Urie river catchments; and will also provide improved capacity for future development. The site will be the first in Scotland to use the innovative 'Nereda' treatment process, developed in the Netherlands, which has potential to deliver a high standard of treatment within a much reduced site footprint, with lower energy and carbon cost.

South Edinburgh Resilience

A new £20 million clean water main is currently being built to help serve Scotland's Capital city. This 7-mile pipe, which runs between Marchbank WTW and Glencorse WTW through the Pentland Hills, will help ensure 165,000 people in Edinburgh receive a more resilient supply.

RURAL ECONOMY AND THE ENVIRONMENT

Rural Economy

- The Agriculture and Rural Economy (ARE) Directorate of the Scottish Government's purpose is to influence, develop and implement innovative policies in partnership with our customers and stakeholders to grow the rural economy and maximise the social, economic and environmental benefit for rural Scotland. In doing this we provide income and support to rural business, farmers and crofters. We are Scotland's Paying Agency for the Common Agricultural Policy (CAP). Around £3.9 billion worth of payments (Direct CAP Payments and Scottish Rural Development Programme (SRDP)) will be paid over the 6 years period of CAP 2015.
- 2018-19 has been a year of progress. The Scottish Government met the regulatory target of making 95.24% of 2017 scheme year CAP Pillar 1 payments by 30 June 2018 and the Single Application Form (SAF) application process for the 2018 scheme year ran very successfully from 15 March to 15 May 2018. Improvements have also been made in relation to delivery of CAP Pillar 2 payments with the majority of targets set out in the 2017 CAP Stabilisation Plan achieved. Preparations for EU Exit have been made, guided by the Scottish Government's consultation on Stability and Simplicity in rural support, published in June 2018, which set out plans for a managed transition between 2019 and 2024 and a policy of minimal change in relation to IT development. However, precise requirements for future IT capital expenditure will depend on the nature of wider EU Exit outcomes. There are also a significant number of legacy systems still to be decommissioned and migrated to the RP&S Digital Platform to reduce risk and increase efficiency.

Environment

- Scotland's climate is changing, and there is a need to adapt to this change to support sustainable economic growth. Over the last century temperatures have increased, sea levels have risen and rainfall patterns have changed, with increased seasonality and more heavy downpours. These changes are projected to continue and intensify over the coming decades. We can expect future changes in climate to be far greater than anything we have seen in the past, and this of course needs to be taken into account when making infrastructure investment decisions.
- Flooding is one of the greatest climate risks in Scotland. In order to support flood risk management, the local authority capital settlement includes £42 million a year identified as being available for flood protection schemes. Funding is allocated to individual schemes, which meet the eligibility criteria agreed by Scottish Ministers and the Convention of Scottish Local Authorities leaders group. This supports the delivery of the priorities set out in the [Flood Risk Management Strategies](#) published in December 2015.

HOUSING

Overview

We want everyone in Scotland to live in affordable, quality homes that meet their needs. This is central to building and sustaining a fairer and more prosperous Scotland.

Scotland has a strong record in housing delivery. Over the last Parliamentary term 2011-16, we exceeded our 30,000 affordable homes target. A total of 33,490 affordable homes were delivered, 22,523 of these homes were for social rent, including 5,992 council homes. Building on this success, we and our partners want more homes delivered across all tenures.

During the current Parliamentary term, 2016-21, our target is to deliver more than 50,000 affordable homes, 35,000 of which will be for social rent backed by investment of over £3 billion. This is the single biggest investment in, and delivery of, affordable housing since devolution.

We have listened to our partners and will continue to work with them closely to deliver More Homes Scotland - our overarching approach to support the increase in the supply of homes across all tenures.

Progress

- In 2018-19, we have made available over £120 million to help up prospective buyers to access homeownership; £70 million has been allocated to the Open Market Shared Equity scheme to help around 1700 first time buyers on low to moderate incomes and £50 million was allocated to the Help to Buy (Scotland) Affordable New Build and Smaller Developers Schemes to help around 2,000 first time buyers and existing homeowners buy a new build home.
- In 2016, we launched the five year Housing Infrastructure Fund (HIF), linked to the delivery of the 50,000 affordable homes target. The fund provides grant and loan support for housing related infrastructure projects which have stalled or cannot proceed due to the level or cost of infrastructure. Local authorities are invited to submit strategic sites for consideration as part of their Strategic Housing Investment Plans (SHIPs). While HIF can support all tenures, priority is given to those projects, which will deliver affordable housing by 2021.
- We remain committed to the expansion of affordable housing through mid-market rent (MMR) schemes. Most recently, Scottish Government loan funding of £47.5 million has been provided to the Place making and Regeneration Group, Places for People to set up a residential investment fund to deliver 1,000 affordable MMR homes across Scotland and attract pension fund investors to generate an investment package of around £150 million.
- We also continue to support Innovative schemes like the National Housing Trust – the first guarantee based scheme for housing in the UK, as well the LAR

Housing Trust that will deliver £120 million of total investment towards delivery of 1,000 MMR homes.

- We have supported local authorities to develop plans to boost the supply of affordable housing through prudential borrowing, and delivering City Deal commitments on housing. This includes consent to on-lend up to £248 million along with a £16 million capital grant to City of Edinburgh Council to support a new city region housing company to deliver a minimum of 1,500 homes at mid-market rent and competitive market rent levels. This company, known as Edinburgh Living, had its first affordable housing development completion of 22 units in January 2019.
- We launched the Rental Income Guarantee Scheme (RIGS) on 12 October 2017 to support Build to Rent in Scotland, with the Scottish Futures Trust working with us as our delivery partner. It is designed as a high-leverage stimulus to attract further institutional investment in the emerging Build to Rent market, delivering new high quality professionally managed PRS (Private Rented Sector) homes. RIGS was developed in consultation with the industry, addressing the uncertainty around rental income streams in this emerging market.
- We have also launched the £150 million Building Scotland Fund - directing it towards the development of housing, modern industrial and commercial property and business-led research and development. As the precursor to the Scottish National Investment Bank, this Fund has a focus on projects and investments that support sustainable economic growth, reduce carbon and sustain and create places. It is designed to stimulate investment and boost the supply of much needed housing - helping to build a Scotland that is innovative, inclusive and attractive as a place to live and work. The Fund has recently approved a loan of £26.8 million for the Winchburgh housing development supporting the delivery of around 3,450 new homes in West Lothian - with associated schools, transport and community facilities being delivered as part of the wider development. We are continuing to progress a range of other applications ranging from large-scale regeneration to support for SME housebuilders.
- We have maintained £30 million funding for the Rural and Island Housing Funds for homes that can be delivered by March 2021. These Funds are open to a wide range of applicants including community bodies, private landlords and landowners and are specifically targeted to increase the supply of affordable housing of all tenures in rural Scotland.

Going Forward

- £756 million was made available during 2018-19, of which £615 million was for social housing. £826 million will be available in 2019-20 of which £685 million will be allocated for social housing.
- We have already given councils and housing associations the long-term certainty needed to deliver our ambitious target by allocating full resource planning assumptions to March 2021.

- Our investment in housing will, on average, leverage economic output in the region of £1.4 billion per year supporting around 10,000 to 12,000 jobs per annum in the construction and related industries in Scotland.
- We have put in place a programme, Achieving Excellence in Housing Development, which is driving value for money and quality in the Affordable Housing Supply Programme. This involves developing a performance improvement system for housing development, working with housing associations to improve their procurement capability, and developing a sector wide approach to modern methods of construction. Further projects are under consideration.

We are maintaining Scotland's leadership in financial innovation and competence, continuing to work creatively with our partners and use innovative ways to deliver more new homes across all tenures for less public investment.

The innovative use of government guarantees, loans, grant recycling and new sources of private funding is supporting the delivery of approaching 8,500 homes across all tenures and generating over £1 billion of housing investment in addition to our conventional funding routes. Our activity is also having a wider impact by unlocking associated housing delivery in many locations across Scotland.

We are also supporting and enabling investment in the emerging Build-to-Rent housing market with the potential for delivery of an additional 2,500 new homes for market rent stimulating up to £500 million private investment.

We are the first, and remain the only, government in the UK and public sector body in Scotland, to invest in Charitable Bonds, a form of ethical investment, which creates loan finance to fund affordable housing, and generates charitable donations. Investment spend for the financial year 2018-19 was £37.9 million, generating charitable donations of around £8.9 million. Total spend on the Charitable Bond programme is expected to be £132.5 million by the end of 2018-19, supporting the delivery of around 1,500 homes.

We have also committed to the reform of the current planning system, with a focus on improving the effectiveness of planning processes that support the delivery of good quality housing developments. The Minister for Local Government, Housing and Planning made a statement to Parliament on 5 December 2018 to outline the intentions for the Planning Bill and its essential contribution to inclusive growth across Scotland. The Planning Bill is currently at Stage 2 with stage 3 expected this year.

REGENERATION

Overview

Regeneration policy delivers inclusive growth by supporting interventions that respond to local circumstances, addressing market failure and increasing opportunities to attract investment and jobs to disadvantaged and fragile areas, contributing to community and regional cohesion.

The key elements of the Regeneration Strategy are:

- tackling area-based deprivation by reforming how mainstream resources are used and working together more effectively;
- a focus on community-led regeneration; and
- realising the economic potential of Scotland's communities through focused funding and other support mechanisms.

Key funding measures include:

- The SPRUCE fund (Scottish Partnership for Regeneration in Urban Centres), provides investment in the form of loans to deliver regeneration and energy efficiency schemes across Scotland. Those loans are now being repaid with the receipts being recycled and used to deliver further regeneration projects.
- The Regeneration Capital Grant Fund (RCGF) delivered in partnership with Convention of Scottish Local Authorities (COSLA) and local government, supports locally developed regeneration projects that involve local communities and helps tackle inequality and support inclusive growth in disadvantaged and fragile rural areas.
- The Vacant and Derelict Land Fund aims to tackle long-term vacant and derelict land bringing it back into productive use in order to stimulate economic growth and job creation, with a focus on temporary and permanent greening, whilst supporting communities to flourish and tackle inequalities.
- The Empowering Communities Fund comprising a programme of funds and projects that support disadvantaged communities to tackle poverty and inequality on their own terms, and to support community empowerment more broadly. The fund reflects our commitment to investing in communities so that they can develop the resources and resilience to decide their own priorities, needs and aspirations; and, to develop their own social, economic and environmental solutions in response.
- Funding is used to support hundreds of community organisations through programmes such as the People and Communities Fund, Strengthening Communities Programme, Community Choices Fund, the Community Ownership Support Service and Aspiring Communities Fund.
- In 2019-20, we will bring forward a streamlined fund to provide a simpler more flexible process for communities.

Progress

- SPRUCE, Scotland's Joint European Support for Sustainable Investment in City Areas (JESSICA) investment loan fund is now recycling loans, which have, being repaid into further regeneration projects. In addition to the initial £50 million of capital, further contributions of £20 million in Financial Transactions have been provided by the Scottish Government to support investments. During 2018-19, the fund received £25 million from the Building Scotland Fund taking the total contributions to £95 million. A total of 12 projects have now received investment of over £85 million, supporting estimated development costs of over £240 million and creating 5,300 jobs.
- The Scottish Government continues to support Clyde Gateway URC with more than £155 million of support provided up until March 2019 and further £6.1 million expected to be provided in 2019-20.
- Since 2014, 119 projects from the disadvantaged areas across Scotland have been recommended for support of from the RCGF.
 - 24 projects were supported totalling £26 million in 2018-19.
 - A further 18 projects have been recommended for funding of more than £20 million in 2019-20.
- Over £110 million provided from the Vacant and Derelict Land Fund to March 2019 to tackle long term vacant and derelict land in five local authority areas with a further £11.44 million available in 2019-20.
- A new £50 million Town Centre Fund for 2019-20, which has been developed in partnership with COSLA, was launched on 1 March 2019. It will enable local authorities to stimulate and support place based economic investments, which encourage town centres to diversify and flourish, creating footfall through local improvements and partnerships. This builds on previous investment of £10 million against the themes of the Town Centre Action Plan through the Town Centre Housing Fund, Town Centre Communities Capital Fund, Town Centre Empty Homes Fund and the Town Centre Action plan demonstration phase.

CITIES / REGIONS

Overview

City Region and Growth Deals are one of our key economic levers. They galvanise key partners to come together to drive regional economies in ways that go well beyond the investments that they deliver, leveraging local and regional intelligence about how best to drive inclusive growth.

In 2018-19, we signed Heads of Terms agreements for the Stirling and Clackmannanshire City Region and the Tay Cities Region. This represented an additional £195 million of investment, bringing the Scottish Government's total investment in City Region Deals to over £1.25 billion over the next 10-20 years. In addition, we also formally signed the Edinburgh and South East Scotland full deal document bringing it into delivery.

Glasgow City Region Deal

The Scottish Government is supporting all three strands of the Glasgow City Region Deal and contributing £500 million over 20 years to the Infrastructure Investment Fund. The Deal was signed in August 2014 and is approaching the first Gateway Review in December 2019.

The Deal empowers Glasgow and its City Region partners to identify, manage and deliver a programme of investment to stimulate economic growth and create jobs in their area, spreading the benefits of economic growth across Glasgow City Region, and ensuring deprived areas benefit from this growth. Additional to the infrastructure investment, the deal includes a £72 million life science and business support strand and a £24 million employability strand.

The vast majority of the 27 projects are underway, with a number having already been completed, such as the World-leading Imaging Centre of Excellence, which opened in 2017. Construction is ongoing for several other investments, such as the Avenues project, which is improving public realm around the city centre.

Aberdeen City Region Deal

The Scottish Government along with the UK Government have committed to investing up to £125 million each in the Aberdeen City Region Deal alongside further contributions from Aberdeen City and Aberdeenshire Councils and Opportunity North East.

The deal was signed in November 2016 and is now well underway. The Scottish Government is working together with the UK Government and regional partners during the implementation phase. The Oil and Gas Technology Centre has been in operation for over two years and has just recently launched the National Decommissioning Centre in conjunction with Aberdeen University, cementing Scotland's international reputation as a centre of decommissioning expertise. Business cases have also been approved for the two hubs for innovation and the projects are now either at the construction phase or seeking planning consent.

The Scottish Government will also invest a further £254 million in addition to the deal to deliver a more significant step change to the economy of the North East supporting Transport, Digital and Housing proposals.

Inverness City Region Deal

The Scottish Government has committed to investing up to £135 million in the £315 million Inverness City Deal and with the UK Government providing up to £53 million and the Council and regional partners a further £127 million over 10 years.

The deal will support a step change in digital connectivity, digital healthcare, skills, innovation and infrastructure in the region.

The deal was signed in January 2017 and is now underway. The Scottish Government is working together with the UK Government and regional partners moving into the implementation phase.

Edinburgh & South East Scotland City Region Deal

The Scottish Government is a full partner in the £1.3 billion Edinburgh and South East Scotland City Region Deal and along with the UK Government has committed to investing up to £300 million each in the 15 year deal. Regional partners, including the six local authorities and the region's universities and private sector, will contribute £730 million.

The Scottish Government's investment will contribute towards 41,000 new homes, 21,000 jobs and improve the skills of an estimated 14,700 people. The deal was signed in August 2018 and is now well underway. The Scottish Government is working together with the UK Government and regional partners during the implementation phase.

Business cases for seven of the projects have already been signed off by governments and the region's Joint Committee. One such project, the Bayes Centre, was formally opened in October 2018 and another, Edinburgh Futures Institute, is currently in construction as it looks to refurbish the former Royal Infirmary building at Quartermile.

Stirling and Clackmannanshire City Region Deal

The Scottish Government, UK Government and regional partners signed a Heads of Terms agreement on 31 May 2018. Both governments are each committing £45.1 million to the deal, with regional partners committing a further £123.8 million.

The Scottish Government's investments will include a £17 million contribution towards a Scottish Environment Centre, £15 million investment in Culture, Heritage & Tourism assets, £7 million in active travel improvements, £4 million to support the region's digital ambitions and £1.9 million for a regional skills and inclusion programme.

The Scottish Government is working together with the UK Government and the regional partners towards a full Deal Document and the implementation of the Deal.

The Scottish Government will also invest a further £5 million in addition to the deal to deliver a new business park at Kildean and to help unlock enabling infrastructure in Callander.

Tay Cities Region Deal

The Scottish Government, UK Government and regional partners signed a Heads of Terms agreement on 22 November 2018. The Deal will deliver over £700 million into the region, including £150 million each from both governments and investment from regional partners of £400 million.

This deal will support projects across the themes of skills, tourism, transport and innovation. Scottish Government investment includes £25 million for the Tayside Biomedical Cluster, £37 million for culture and tourism assets and £20 million for a Regional Skills and Employability Programme.

The Scottish Government is working together with the UK Government and the regional partners towards a full Deal Document and the implementation of the Deal.

The Scottish Government will also invest a further £50 million in the region to deliver a new cross Tay link road and a strategic regional Industrial Investment Programme.

Annex A: IIP Project Pipeline Summary – by funding type and sector

The following table summarises the published IIP Project Pipeline by funding type for each of the sectors and breaks down the investments by year in which construction commenced or is expected to commence.

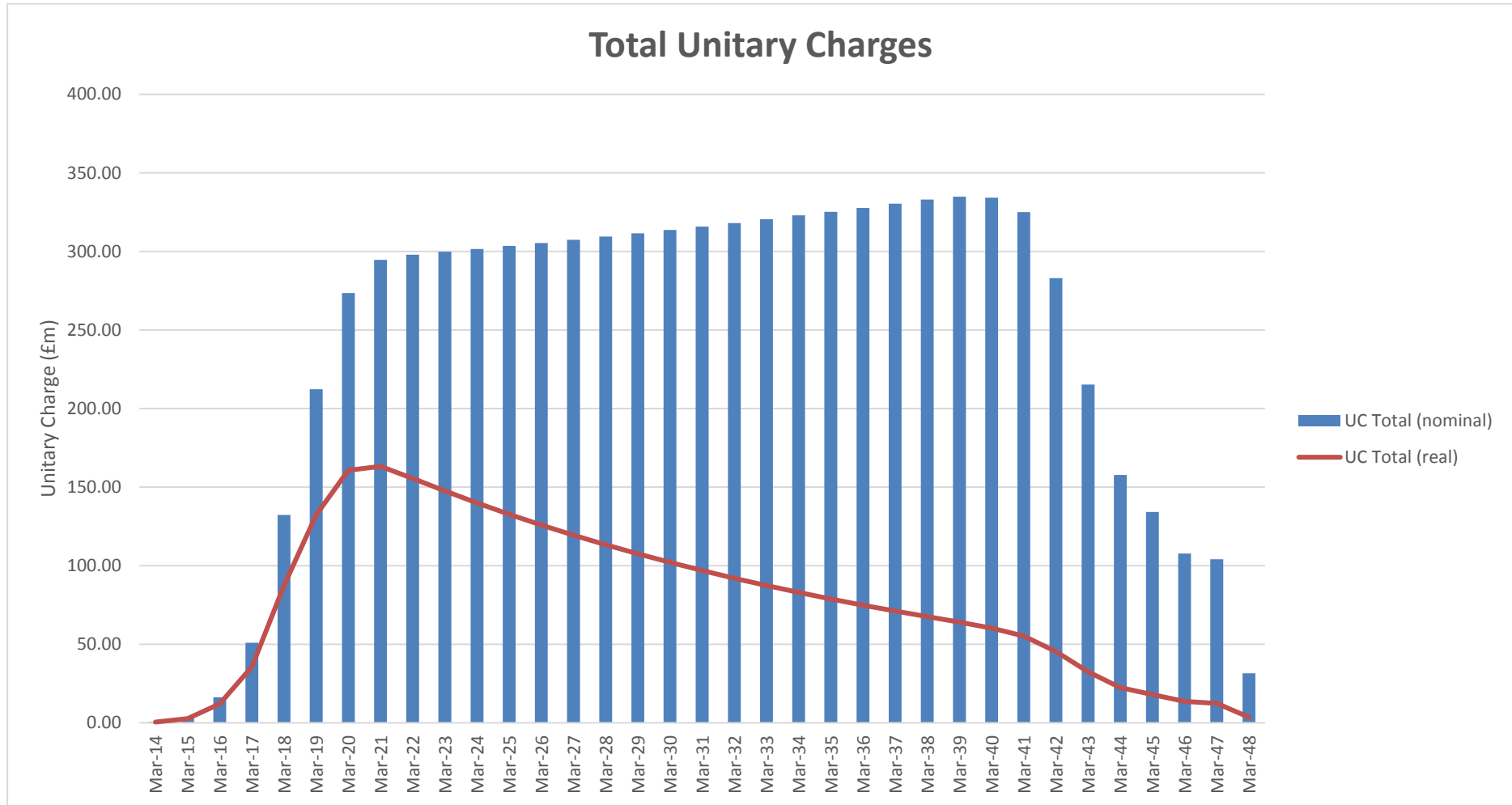
- Where the total value of a project has a range, the upper range figure has been used.
- For those revenue funded projects which also have associated capital funding elements (NPD, hub and RAB), the separate capital funding figures have been included at Capital DEL and consequently the figures in the number of projects column will be higher than the number of projects within the IIP Project Pipeline.

Type of Funding	Sector	Total number of projects funded	Total value of all projects (£m)	Total value of projects completed since 31 October 2018 (£m)	Total value of projects currently in construction and those planned to commence construction in 2019-20 (£m)	Total value of projects planned to commence construction in 2020-21 and beyond (£m)
Capital DEL	Transport	7	650.4	276.0	374.4	0
	Health	12	347.2	4.6	342.6	0
	Health (on hold)	1	0.6	0	0	0
	Schools	21	274.5	37.6	236.9	0
	Further Education	1	78.0	0	78.0	0
	Justice	5	414.9	0	89.4	325.5
TOTAL		47	1,765.6	318.2	1,121.3	325.5

Type of Funding	Sector	Total number of projects funded	Total value of all projects (£m)	Total value of projects completed since 31 October 2018 (£m)	Total value of projects currently in construction and those planned to commence construction in 2019-20 (£m)	Total value of projects planned to commence construction in 2020-21 and beyond (£m)
Non Profit Distributing: Revenue Funded	Transport	1	469.0	469.0	0	0
	Health	2	155.1	0	155.1	0
TOTAL		3	624.1	469.0	155.1	0
hub: Revenue Funded	Health	11	417.7	43.0	206.7	168.0
	Health (on hold)	1	10.6	0	0	0
	Schools	10	252.0	32.9	219.1	0
TOTAL		22	680.3	75.9	425.8	168.0
Regulatory Asset Base: Revenue Funded	Transport	5	1,535.7	159.0	1,376.7	0
To be confirmed	Further Education	1	93.5	0	0	0
GRAND TOTAL		78	4,699.2	1,022.1	3,078.9	493.5

Figures for Redesign of Mental Health Facilities Argyll & Bute and Fife College (Dunfermline Campus) are not included within the projects planned to commence construction columns as these are on hold and to be confirmed as per published IIP Project Pipeline.

Annex B: NPD/hub Revenue Funded Projects – Total Aggregated Annual Unitary Charges



Annex C: NPD/hub Revenue Funded Projects – Unitary Charges and associated Net Present Values

Health Projects	Base Date for NPV	Total UC £m	NPV £m
Aberdeen Community Health and Care Village	10/04/2012	48.8	21.9
Forres, Woodside and Tain Health Centres	22/04/2013	43.8	20.4
NHS Lanarkshire Bundle (Wishaw, East Kilbride and Kilsyth Health Centres)	19/12/2013	108.0	49.6
Maryhill Health Centre and Eastwood Health & Care Centre	10/10/2014	66.9	29.6
Redevelopment of Royal Edinburgh Hospital Campus - Phase 1	18/12/2014	117.3	51.5
Royal Hospital for Sick Children / Department of Clinical Neurosciences	13/02/2015	416.4	205.1
Acute Services Redevelopment Project	11/03/2015	536.2	230.0
Acute Mental Health & North Ayrshire Community Hospital (Woodland View at Ayrshire Central Hospital)	19/06/2014	132.5	59.4
Scottish National Blood Transfusion Service National Centre	08/10/2014	97.1	41.4
Inverclyde Continuing Care Beds for Mental Health	26/02/2016	20.9	9.1
Lothian Partnership Centre Bundle	01/04/2016	66.5	29.9
East Lothian Community Hospital	23/09/2016	173.5	73.1
Inverurie Health Care Hub & Foresterhill Health Centre	05/12/2016	51.9	23.4
Stirling Care Village	08/12/2016	85.1	37.1
Pharmaceuticals Services	22/12/2016	63.4	28.1
Gorbals & Woodside Health Centres	10/04/2017	90.5	38.7
NHS Orkney New Hospital & Healthcare Facilities	24/03/2017	57.2	24.2
Greenock Health & Care Centre / Stobhill Mental Health DBFM Beds	20/12/2018	75.4	34.1
Transport Projects			
M8, M73, M74 Motorway Improvements	20/02/2014	1,470.9	531.8
Aberdeen Western Peripheral Route / Balmedie Tipperty	12/12/2014	1,397.7	506.8

Education Projects	Base Date for NPV	Total UC £m	NPV £m
Inverness College	29/05/2013	135.4	59.3
City of Glasgow College	30/08/2013	603.0	253.2
James Gillespie's High School	05/12/2013	102.6	45.1
Alford Academy	30/05/2014	62.2	28.3
Ayrshire College (Kilmarnock Campus)	04/06/2014	140.9	62.6
Wick High School	19/12/2014	122.5	54.5
Levenmouth High School	22/12/2014	104.2	47.1
Greenfaulds High School	08/01/2015	84.8	37.9
Forfar Community Campus	12/06/2015	89.7	40.4
Anderson High School	30/07/2015	101.7	44.7
Dalbeattie Learning Campus	26/01/2016	60.6	27.1
Newbattle Community Campus	12/02/2016	83.3	36.4
Kelso High School	19/02/2016	54.2	24.3
Elgin High School	25/02/2016	68.8	31.0
William McIlivaney Campus	24/02/2016	107.1	46.7
Baldragon Academy	26/02/2016	71.6	32.0
Barrhead High School	21/03/2016	59.1	27.0
Oban High School and Campbeltown Grammar	24/03/2016	135.5	60.0
Our Lady & St Patrick's High School	31/03/2016	64.8	29.5
Largs Campus	27/05/2016	108.7	45.8
Lochside Academy	30/06/2016	104.0	46.0
Ayr Academy	01/07/2016	65.8	29.7
West Calder High School	14/12/2016	73.9	33.4

Education Projects	Base Date for NPV	Total UC £m	NPV £m
Cumbernauld Academy & Art Theatre	29/06/2017	90.4	39.6
Bertha Park High School	29/09/2017	84.5	37.6
Blairdardie & Carntyne Primary Schools	23/10/2017	46.1	21.3
Queen Margaret Academy	07/11/2017	67.0	29.5
Ladyloan & Muirfield Primary Schools	24/11/2017	38.8	18.1
Inverurie Community Campus	19/04/2018	134.9	59.6
Queensferry High School	14/06/2018	93.5	41.7
Jedburgh Intergenerational Community Campus	18/10/2018	76.0	34.8



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